S. HRG. 100-517, PT. 2

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

H.R. 2712

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF THE INTERIOR AND RELATED AGENCIES, FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1988, AND FOR OTHER PURPOSES

Part 2—(Pages 1–1344)

Department of Agriculture
Department of Energy
Department of Health and Human Services
Department of the Interior
National Capital Planning Commission
Navajo and Hopi Indian Relocation Commission
Smithsonian Institution
U.S. Holocaust Memorial Council
Woodrow Wilson International Center for Scholars

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
71-547 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S181-36

COMMITTEE ON APPROPRIATIONS

JOHN C. STENNIS, Mississippi, *Chairman*

ROBERT C. BYRD, West Virginia
WILLIAM PROXMIRE, Wisconsin
DANIEL K. INOUYE, Hawaii
ERNEST F. HOLLINGS, South Carolina
LAWTON CHILES, Florida
J. BENNETT JOHNSTON, Louisiana
QUENTIN N. BURDICK, North Dakota
PATRICK J. LEAHY, Vermont
JIM SASSER, Tennessee
DENNIS DeCONCINI, Arizona
DALE BUMPERS, Arkansas
FRANK R. LAUTENBERG, New Jersey
TOM HARKIN, Iowa
BARBARA A. MIKULSKI, Maryland
HARRY REID, Nevada

MARK O. HATFIELD, Oregon
TED STEVENS, Alaska
LOWELL P. WEICKER, Jr., Connecticut
JAMES A. McCLURE, Idaho
JAKE GARN, Utah
THAD COCHRAN, Mississippi
ROBERT W. KASTEN, Jr., Wisconsin
ALFONSE M. D'AMATO, New York
WARREN RUDMAN, New Hampshire
ARLEN SPECTER, Pennsylvania
PETE V. DOMENICI, New Mexico
CHARLES E. GRASSLEY, Iowa
DON NICKLES, Oklahoma

Francis J. Sullivan, *Staff Director*
Mary A. Shields, *Chief Clerk*
J. Keith Kennedy, *Minority Staff Director*

Subcommittee on Department of the Interior and Related Agencies

ROBERT C. BYRD, West Virginia, *Chairman*

J. BENNETT JOHNSTON, Louisiana
PATRICK J. LEAHY, Vermont
DENNIS DeCONCINI, Arizona
QUENTIN N. BURDICK, North Dakota
DALE BUMPERS, Arkansas
ERNEST F. HOLLINGS, South Carolina
HARRY REID, Nevada
JOHN C. STENNIS, Mississippi, *ex officio*

JAMES A. McCLURE, Idaho
TED STEVENS, Alaska
JAKE GARN, Utah
THAD COCHRAN, Mississippi
WARREN RUDMAN, New Hampshire
LOWELL P. WEICKER, Jr., Connecticut
DON NICKLES, Oklahoma
MARK O. HATFIELD, Oregon *ex officio*

Professional Staff

Charles Estes
Donald R. Knowles
Terrence E. Sauvain
Jeffrey R. Cilek *(Minority)*

Administrative Support

Jillian L. Gallie
Dorothy Pastis

CONTENTS

FRIDAY, MARCH 27, 1987

Page

Department of Agriculture: Forest Service 1

WEDNESDAY, APRIL 1, 1987

Department of Energy:

Strategic petroleum reserves 171
Naval petroleum and oil shale reserves 171
Office of Energy Emergencies 229

THURSDAY, APRIL 2, 1987

Navajo and Hopi Indian Relocation Commission 247

Department of Health and Human Services:
Health Resources and Services Administration:

Indian Health Service 365

WEDNESDAY, APRIL 8, 1987

Department of the Interior: Fish and Wildlife Service 411

TUESDAY, APRIL 21, 1987

Department of the Interior: Bureau of Indian Affairs 555

WEDNESDAY, APRIL 22, 1987

National Capital Planning Commission 631
Department of the Interior: U.S. Geological Survey 647

THURSDAY, APRIL 23, 1987

Department of the Interior:

Office of the Secretary 709
Office of the Solicitor 741

TUESDAY, APRIL 28, 1987

Department of the Interior:

Office of Surface Mining Reclamation and Enforcement 775
Bureau of Mines 805

Thursday, April 30, 1987

Department of the Interior:

Page

- Territorial governments:
  - Virgin Islands 823
  - American Samoa 843
  - Guam 883
  - Commonwealth of the Northern Marianas 919
  - Republic of Palau 963
  - Federated States of Micronesia 979
  - Republic of the Marshall Islands 997
- Office of Territorial and International Affairs 1067

Tuesday, May 5, 1987

- Smithsonian Institution 1109
- Woodrow Wilson International Center for Scholars 1203
- U.S. Holocaust Memorial Council 1219

Monday, July 20, 1987

- Department of Energy: Fossil energy research and development; Clean Coal Technology Program 1271

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

FRIDAY, MARCH 27, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:45 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Robert C. Byrd (chairman) presiding.

Present: Senators Byrd, Reid, and McClure.

Also present: Senator Sasser.

[NOTE.—The first 20 minutes of the hearing were reconstructed from a tape recording due to mechanical problems.]

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

STATEMENTS OF:

- **GEORGE S. DUNLOP, ASSISTANT SECRETARY FOR NATURAL RESOURCES AND ENVIRONMENT, DEPARTMENT OF AGRICULTURE**
- **F. DALE ROBERTSON, CHIEF, FOREST SERVICE**

ACCOMPANIED BY:

- **GEORGE M. LEONARD, ASSOCIATE CHIEF, FOREST SERVICE**
- **JEFF SIRMON, DEPUTY CHIEF FOR PROGRAMS AND LEGISLATION, FOREST SERVICE**
- **BILL RICE, DEPUTY CHIEF FOR ADMINISTRATION, FOREST SERVICE**
- **JOHN OHMAN, DEPUTY CHIEF FOR RESEARCH, FOREST SERVICE**
- **ALLAN WEST, DEPUTY CHIEF FOR STATE AND PRIVATE-FORESTRY, FOREST SERVICE**
- **LAMAR BEASLEY, DEPUTY CHIEF FOR NATURAL FOREST SYSTEMS, FOREST SERVICE**
- **TOM SCHENARTS, DIRECTOR, NORTHEASTERN STATE AND PRIVATE FORESTRY AREA**
- **DENVER BURNS, DIRECTOR, NORTHEASTERN FOREST EXPERIMENT STATION**
- **BUTCH MARITA, REGIONAL FORESTER, NORTHEASTERN REGION, MILWAUKEE**
- **JACK ALCOCK, REGIONAL FORESTER, SOUTHERN REGION, ATLANTA**

OPENING REMARKS

Senator BYRD. Good morning.

This is the time scheduled to review the fiscal year 1988 budget request for the Forest Service. I want to apologize for having to reschedule this hearing as a result of unavoidable scheduling conflicts on March 13.

The lead witness for the Forest Service today will be its new chief, Mr. Dale Robertson. Also testifying will be Mr. George Dunlop, Assistant Secretary for Natural Resources and Environment, U.S. Department of Agriculture. This is the first appearance for each of you before the committee in your current term.

I would like to ask Mr. Robertson and Mr. Dunlop to introduce their associates for us at this time. I know that some of the regional foresters and some of the research station directors are in attendance today, and I would like them to be recognized.

PREPARED STATEMENTS

In the interest of time, I will ask you to place your prepared statements in the record. Then you may proceed with your summary. Perhaps by then, we will have an official reporter so we can turn directly to our questions.

[The statements follow:]

STATEMENT OF DALE ROBERTSON

I welcome the opportunity to discuss the FY 1988 budget for the Forest Service.

FY 1988 budget

The 1988 budget request for the Forest Service is $1.9 billion. At this funding level, we will continue to do high priority research and provide a reasonably balanced resource management program on the National Forests and Grasslands.

In the case of State and private forestry, States will be expected to assume more of their responsibilities for assisting private forest landowners.

We will further streamline our organization and programs to reduce costs and increase efficiency, while maintaining a suitable level of resource management and service to the public.

Forest research

The proposed funding for forest research is $122.2 million. This budget will permit us to continue high-priority research in such areas as the effects of acid rain, international trade, biotechnology, critical wildlife/timber relationships, the wildland/urban interface problem, and the productivity of Southern forests. Some lower priority research will be terminated and other research stretched out, but we will continue to carry out important research in all of our programs. Funding for the competitive grants program would be eliminated.

State and private forestry

The budget includes $35.4 million for State and private forestry programs. The primary emphasis will be on forest pest management on Federal lands and technical assistance to the States.

Except for the cooperative pest surveys and funding to Minnesota for intensive management associated with the Boundary Waters Canoe Area wilderness legislation, financial assistance to States will be discontinued. Also, the forest management and utilization program, including urban forestry, will be phased out.

National Forest System

Proposed funding for the National Forest System appropriation in 1988 is $1,016.4 million. After adjusting for forest fire fighting expenses and the proposed use of recreation fees to pay for operating and maintaining recreation facilities, this is about 3 percent more than was appropriated for 1987.

The request includes only $1 million for fire fighting in FY 1988, which will be followed by a supplemental request after the fire season to reimburse actual costs, compared to the $125 million initially appropriated for this function in FY 1987.

Recreation use

In funding the recreation program, we are proposing to establish a new special fund of $52 million for operating and maintaining recreation facilities with money generated from recreation receipts. This proposal would return receipts to the Forest Service, to offset regular appropriated funds.

Considering both funding sources, the $116.3 million recreation program in FY 1988 is slightly more than the FY 1987 appropriated level.

Wildlife and fish habitat management

Funding proposed for wildlife and fish habitat management in 1988 is $37.9 million. This reduction from appropriated funding in 1987 is partly offset by an increase in Knutson-Vandenberg funding available for wildlife habitat improvement.

Our priority in habitat management is to do a good job in planning and coordinating with other resource activities, such as timber sales and road building, to minimize adverse effects and take advantage of opportunities to gain fish and wildlife benefits. Investments in habitat improvement work will be directed at highly productive projects, and at threatened and endangered species in the most critical situations.

Forest fire protection

Proposed funding for fire protection is $151.6 million. Fire presuppression activities and fire fighting forces will be maintained at about the same level as in FY 1986. We will continue to rely on the use of firefighting crews from the States and other agencies in emergency situations, as this has worked quite well.

Timber sale program

The proposed funding for the timber sale program is $479.9 million, which includes all support costs except purchaser credit road construction, which is $117.8 million. This will provide a timber sale level of 11.1 billion board feet, compared to 11.2 billion board feet in 1987. The harvest level for 1988 is projected to be 11.8 billion board feet, about the same as actual harvest in 1986.

Reforestation and stand improvement

From all sources, the budget proposes $219.3 million for reforestation and stand improvement work. This is about 3 percent more than appropriated for 1987. Within this, $141.3 million is proposed for reforestation, sufficient to reforest about 363,100 acres.

Forest road construction

Funding for appropriated forest road construction is $198.6 million. The level of purchaser credit and purchaser elect road construction is estimated at $129 million.

Altogether, this will finance construction of about 3,008 miles of new road and reconstruction of 4,601 miles of existing road. This totals about 60 fewer miles than projected for FY 1987.

The 1988 road construction program will emphasize access for timber sales, with roads that respond to immediate timber sale needs. It reflects strong emphasis on reducing road construction costs by building the minimum road needed to meet land management objectives.

The timber sale program and the forest road construction budgets are in balance, and one cannot be adjusted without a corresponding adjustment in the other.

Cooperative law enforcement

The proposed budget for cooperative law enforcement in 1988 is $5.7 million. This includes $3.2 million to implement the new drug control law, which will be used by the Forest Service to detect and investigate illegal Cannabis cultivation and to apprehend and prosecute major commercial growers.

The remaining $2.5 million will be provided to local law enforcement agencies, to handle law enforcement problems on the National Forests. Of these cooperative funds, $2 million are for Cannabis eradication and $500,000 for extra protection of the public and of property in high risk areas on National Forests.

Land acquisition

The budget proposes $3.9 million to close existing cases. No new acquisitions are proposed under this budget. Land exchanges will be relied upon to acquire other high-priority tracts.

For fiscal year 1987, the Administration is also proposing to rescind $49 million of land acquisition funds, and to transfer an additional $27 million to various appropriations to cover the additional cost of pay and the new Federal Employees Retirement System.

Mr. Chairman, this concludes my prepared testimony. We will be glad to respond to your questions.

STATEMENT OF GEORGE DUNLOP

I welcome the opportunity to appear before you today to discuss the fiscal year 1988 budget for the Forest Service. I am accompanied by Dale Robertson, Chief of the Forest Service, and the Forest Service's Deputy Chiefs.

Before Chief Robertson discusses the highlights of the Forest Service budget, permit me to focus on four important policy issues encompassed in the budget request: (1) the need to reduce Federal expenditures, including those of the Forest Service, to contribute to the declining level of Federal deficits required under the Gramm-Rudman-Hollings Act; (2) recreation user fees, (3) a proposal to change payments to States to a net receipts basis, and (4) the urgent need to address the increased menace to the public due to illegal production of marijuana on National Forest System lands.

Reducing Federal expenditures

The President and the Congress through passage of the Gramm-Rudman-Hollings Act have emphasized the need for continuing steady reductions in the deficit by limiting government spending and encouraging economic expansion, and the Forest Service budget will help do both.

The proposed FY 1988 budget authority for the Forest Service of $1.9 billion is less than the $2.3 billion appropriated for FY 1987, with the reduction primarily in 4 areas--payments to States, land acquisition, fighting forest fires, and State and private forestry. Because many of the funded programs generate revenue, this budget will return estimated receipts of $1.3 billion, leaving a net deficit of about $600 million.

Also, Forest Service programs are funded at purposeful levels of investment that will help foster long-term economic growth and maintain environmental quality. The budget provides an 11.1 billion board feet timber sale program with sufficient funding to do a quality job on the ground. Most other programs are maintained at or near past levels.

The productivity of Forest Service programs will continue to be improved by carefully controlling costs, adjusting management procedures, and paying close attention to benefit-cost relationships. Careful attention will be given to both market and nonmarket values of resources, such as water quality, and their associated costs.

Receipts generated from lands managed by the Forest Service are expected to be about $1.3 billion, compared to $1.2 billion estimated for 1987. This slight increase in receipts reflects both an improving economy and efforts of this Administration to bring the American people a financial return from the public lands.

Recreation user fees

In regard to financial returns, we are proposing expansion of the Forest Service's recreation fee authorities. The Department of Agriculture strongly supports providing outdoor recreation opportunities for the public. In 1985, the National Forests provided 44 percent of the recreation visitor days provided on all Federal lands, more use than provided by any other Federal agency. Yet, it has become increasingly expensive to provide the high quality public recreation opportunities, facilities, and services that Americans want and deserve. We believe that the actual beneficiaries--users of these recreation facilities and services--should pay a higher percentage of the costs of the facilities.

To accomplish this, we will soon transmit to the Congress proposed legislation to (1) promote the availability, maintenance, and use of high-quality recreation areas and facilities in the National Forest System for use, enjoyment, and benefit of all Americans; (2) require persons using recreation facilities and services to pay an appropriate share of the cost of providing and maintaining those facilities and services; and (3) increase the sources of funding for operating National Forest Systems recreation areas and facilities by using the revenue from recreation receipts to enhance recreation areas, facilities, and services.

Proposed payments to States legislation

As in our 1987 proposal, the 1988 budget proposes to change the basis for payments to States from a sharing of gross receipts to a sharing of net receipts. The Forest Service would deduct from receipts the costs of administering the programs that generate those receipts, except for recreation costs. After these related costs are deducted, twenty-five percent shares of these net receipts will be paid to State or county governments.

The primary reason for this proposal is that current law distributes 25 percent of gross receipts without taking into account the cost of producing these receipts. In some cases receipts do not cover the cost of production. Further, receipts sometimes are not cash revenues, but are credits, such as purchaser road credits and Knutson-Vandenberg collections. In effect, the Federal government bears all the costs while the State and local governments are encouraged to support development activities on Federal lands regardless of the costs. It is only sound business practice to deduct costs from gross revenues before sharing profits.

Effort against Cannabis on National Forest System lands

The fourth area I want to mention is this budget request's increased provision for a greater effort against illegal Cannabis production on National Forest lands. The Forest Service has worked diligently to bring this problem under control, but the fact of the matter has been that we have been unable to pull these plants up as rapidly as they have been able to grow them.

Accordingly, we have requested additional funds in law enforcement that will be used to detect and investigate illicit Cannabis cultivation and to apprehend and prosecute major commercial growers. These funds will enhance Forest Service law enforcement capabilities in those regions where the largest amounts of Cannabis are being grown on National Forest lands.

Mr. Chairman, this concludes my opening remarks. Mr. Robertson will now discuss details of the FY 1988 budget.

SUMMARY OF WITNESS STATEMENTS

Senator BYRD. So, if you would, please.

Mr. DUNLOP. Thank you very much, Mr. Chairman.

As an administrative matter, I might ask the indulgence of the committee, as I have an appointment that requires me to go out of town, and to catch an airplane at 11 o'clock, and if I might be dismissed at that time, I would appreciate it.

Senator BYRD. The Senate is in session, and we are on an important bill, so we will be around. Someone else can Chair the committee after that time, if we still need to proceed.

Mr. Dunlop, why don't you begin?

Mr. DUNLOP. Mr. Chairman, I will indeed summarize the remarks that we will submit for the record.

I would like to focus, today, if I may, on four important policy issues that are encompassed in this budget request.

First, is the need to reduce Federal budget outlays, including those of the Forest Service, so that we might be helpful in contributing to the declining level of the Federal deficits that are required under the Gramm-Rudman Act; second, would be the request that we have for legislation regarding recreation user fees that are assumed in our budget proposal; third, a matter relating to the change in payments to States; and, fourth, the urgent need for us to address the increased menace to the public due to illegal production of marijuana on National Forest System lands.

Mr. Chairman and members of the committee, the matters relating to reducing the Federal budget expenditures is something that is very important to us in the Department of Agriculture and the Forest Service. We want to help contribute to solving that budget problem in any way that is appropriate.

We think that by continuing steady reductions in the deficit by limiting Government spending and encouraging economic growth, the Forest Service will do well in that area.

The proposed fiscal year 1988 budget authority for the Forest Service is $1.9 billion, which is less than the $2.3 billion appropriated in fiscal year 1987, with the reduction taking place primarily in four areas in our request.

One, payment to States; two, land acquisitions; three, fighting forest fires; and, fourth, State and private forestry. Because many of the funded programs in the Forest Service budget do generate revenue for the Government, this budget returns to the Treasury an estimated $1.3 billion, leaving a net cost for our programs of $600 million.

Also, the Forest Service programs are funded at purposeful levels of investment that will use our resources to help foster long-term growth in the economy and make resources available to this growing economy, while maintaining environmental quality.

In that regard, the budget provides an 11.1 billion board feet timber sale program for sufficient funding to do a quality job on the ground. Most other programs that are included in our budget are maintained close to past levels.

The productivity of Forest Services programs will continue to be improved by our carefully controlling costs, adjusting our management procedures, and paying close attention to benefit-cost relationships. Receipts generated from lands managed by the Forest Service are expected to be about $1.3 billion compared to $1.2 billion estimated for 1987. This slight increase in receipts reflects both an improving economy and our efforts to bring financial return from public lands.

In regards to the second aspect that I would like to bring to the attention of the committee that is encompassed in our budget is the matter of recreation user fees. We have submitted legislation that will request a modest expansion of the Forest Service recreation user fee authorities.

The Department of Agriculture strongly supports providing outdoor recreation opportunities to the public on national forest lands. In 1986, the national forests provided almost 50 percent of the recreation visitor days provided on all Federal lands in the United States. This is more use for recreation than provided by any other Federal agency.

It has become increasingly expensive for the Forest Service to provide high-quality public recreation opportunities, facilities, and services that the American people want and which we can deliver. I believe that the actual beneficiaries, that is, the users of these recreational facilities and services, should pay a higher percentage of the cost of maintaining the facilities, and we believe they are willing to do so.

In an effort to accomplish this, we will soon officially transmit to the Congress proposed legislation to use the revenue from recreation receipts to enhance recreation areas, facilities, and services.

In regard to the matter of our proposed payments to the States, we recognize that this is a sensitive matter for this committee and the authorizing committee, but as in 1987, in 1988 this budget proposes to change the basis for payments to States from a sharing of gross receipts to a sharing of net receipts.

The Forest Service would deduct from the receipts that we collect, the cost of administering the programs that generate those receipts, except for recreation costs. The primary reason for this proposal is that the current law distributes 25 percent of gross receipts without taking into account the cost of producing these receipts. In some cases, receipts have not covered the cost of production.

Often, these receipts are not even cash revenues. They are credits on costs, such as purchaser road credits and Knutson-Vandenberg collections that are included in the gross receipts that we must distribute. In effect, the Federal Government bears all the costs while the State and local governments encourage and support development activities on forest land regardless of the cost.

We feel it is only sound business practice to deduct costs from gross revenues before sharing profits, and we think that perhaps in some way the committee might consider these matters and seek some reform.

Finally, the fourth point I would make would be that this budget requests a modest increase in our efforts to combat the illegal marijuana production on national forest lands. The Forest Service has worked diligently to bring this problem under control, but the fact is we have been unable to pull up these plants as fast as the criminal elements have been able to grow them.

It is estimated that as much as 3 billion dollars' worth of marijuana is produced on national forest lands and other public lands, and we feel compelled to be in the vanguard of trying to put it to an end. Accordingly, we have requested additional funds in law enforcement that will be used to detect and investigate illegal cannabis cultivation and to apprehend and prosecute major commercial growers, many of whom are a part of organized criminal elements and syndicates.

These funds will enhance Forest Service law enforcement capabilities in those regions where the largest amounts of cannabis are being grown on national forest lands and will allow us to contribute our part in ridding this Nation of its enormous drug problem.

Mr. Chairman, in pointing out these four policy areas in our budget, I would now like to ask the Chief of the Forest Service, Dale Robertson, to go into detail on our budget, and at such time as you may feel appropriate, to introduce the other members of the Forest Service management team that are here today.

Senator BYRD. Very well. Why don't you proceed, Mr. Robertson?

Mr. ROBERTSON. Thank you, Mr. Chairman.

I, too, will just briefly highlight my statement on the budget requests by program area. I will start with forestry research, whose proposed funding level is $122.2 million. This budget will permit us to continue high-priority research in such areas as acid rain, international trade, biotechnology, critical wildlife/timber relationships, wildland/urban interface problems, and productivity of southern forests.

Some lower-priority research will be terminated and other research will be stretched out, but we will continue to carry on important research in all of our programs. The proposed budget would eliminate the research competitive grants.

In the case of State and private forestry, our budget proposal is $35.4 million. The primary emphasis will be on forest pest management on Federal lands and technical assistance to the States. The States will be expected to assume more responsibility for assisting private landowners.

Except for the cooperative pest surveys and the funding to Minnesota for the intensive management associated with the Boundary Waters Canoe Area wilderness, financial assistance to States will be discontinued. Also, the Forest Management and Utilization Program, including urban forestry, will be eliminated.

The proposed funding for the National Forest System appropriation is just a little over $1 billion. After adjusting for fire fighting expenses and the proposed use of recreation fees to pay for the operation and maintenance of recreation facilities, this is about 3 percent more than in 1987.

The request includes only $1 million for fire fighting in 1988. This will be followed by a supplemental request after the fire season is over to reimburse actual costs for fire fighting. This compares to $125 million that was initially appropriated in 1987.

In our recreation programs, after taking into account the receipts that we would propose to pull back into the program for the operation and maintenance of our recreation areas, that program is about the same as it was in 1987.

In the case of fish and wildlife, after we take into account the increase in the use of Knutson-Vandenberg funds available for fish and wildlife habitat work, that program is fairly stable and about the same as it was in 1987.

The proposed funding for the Timber Sale Program is $480 million, which includes all support costs except purchaser credit road construction, which is $118 million. The projected timber sale receipts are about $750 million, which is about $270 million above cost. This will provide a timber sale level of 11.1 billion board feet, compared to 11.2 billion in 1987. The harvest level for 1988 is projected to be 11.8 billion board feet, which again is about the harvest level of 1986.

The funding for appropriate forest road construction is $198.6 million. The level of purchaser credit and purchaser elect road construction is estimated at $129 million. All together this will finance the construction of about 3,000 miles of new roads and the reconstruction of about 4,600 miles of existing roads.

I would like to point out, Mr. Chairman, that the Timber Sale Program and road construction budgets are tied together and are balanced, and one cannot be adjusted without a corresponding adjustment in the other.

The proposed budget for cooperative law enforcement is $5.7 million. This includes the $3.2 million to implement the new drug control law which will be used by the Forest Service to detect and investigate illegal cannabis cultivation and to apprehend and prosecute major commercial growers.

The remaining $2.5 million will be provided to local law enforcement agencies to handle law enforcement problems on the national forests. At least $2 million of this is for cannabis eradication.

Finally, the land acquisition budget, the budget proposes $3.9 million to close existing cases. No more acquisitions are proposed under this budget. Land exchanges will be relied upon to acquire high-priority tracts.

Mr. Chairman, that concludes my statement.

INTRODUCTION OF ASSOCIATES

I would like to introduce the rest of the Forest Service people here that may be helping me answer questions, if I may.

On my left is Jeff Sirmon, the Deputy Chief for Programs and Legislation. My other Deputy Chiefs, are here, and I might just ask them to rise, is Bill Rice, Deputy Chief for Administration; John Ohman, Deputy Chief for Research; Allan West, Deputy Chief for State and Private Forestry; Lamar Beasley, Deputy Chief for National Forest Systems.

I have four regional line officers here: Tom Schenarts, Director of the Northeastern State and private forestry area; Denver Burns, the Director of the Northeastern forest experiment station; Butch Marita, regional forester for the Northeastern region in Milwaukee; Jack Alcock, regional forester for the Southern region in Atlanta.

Senator BYRD. Thank you, Chief. We are happy to have your people appear before the committee and be with us today.

We are still awaiting the arrival of our official reporter. We had been told that one was on the way some several minutes ago and, now, in checking again we find that there are two on the way. Perhaps we will be well stocked with reporters shortly.

Why don't we proceed with a question or two and I will also put these questions in the record and we will also ask that you provide the answers.

FOREST INSECT AND DISEASE RESEARCH

The Forest Service budget request for research as you have pointed out is for $122,212,000. That is a decrease of $6,670,000 or 5 percent from 1987 appropriations to date. The major change in the fiscal 1988 budget request for the research program is the elimination of the Competitive Grants Program, funded at $6 million in 1987.

The Forest Insect and Disease Research Program is proposed for a reduction of $1,715,000, or 8 percent, in fiscal 1988. Reductions are proposed for such forest insects as the gypsy moth, $504,000, or a 16-percent reduction; the spruce budworm, $286,000, or an 18-percent reduction; the Southern pine beetle, $39,000, or a 4-percent reduction; and the mountain pine beetle and other bark beetles, $156,000, or 11 percent.

GYPSY MOTH

It is my understanding that nationally the gypsy moth defoliated about 1 million acres in 1984, 1.9 million acres in 1985, another 2.4 million acres in 1986. I understand, also, that the affected areas are primarily in West Virginia, Pennsylvania, Maryland, Virginia, Delaware, New Jersey, Rhode Island, Massachusetts, and Michigan. Another area of infestation was recently discovered in North Carolina.

I am also told that in West Virginia 2,470 acres were infested by the gypsy moth in 1985, but by 1986 this had increased almost 250 percent to 8,250 acres. Is that correct?

Mr. ROBERTSON. Yes, sir; I believe those figures are correct.

Senator BYRD. What is the prediction for fiscal years 1987 and 1988 for West Virginia?

Mr. ROBERTSON. We predict that there will be about 100,000 acres defoliated in West Virginia in 1987.

Senator BYRD. From 8,250 acres to 100,000 acres from 1986 to 1988?

Mr. ROBERTSON. From 8,250 to 100,000 in 1987. We have plans with the State of West Virginia to treat about 90,000 acres.

Senator BYRD. Does the gypsy moth generally kill the infested tree?

Mr. ROBERTSON. It generally doesn't kill the tree the first year, but they eat the leaves and defoliate the trees. If the trees are defoliated 2 or 3 or 4 years in a row, then some of the trees are lost.

Senator BYRD. What percent of the defoliated acres die as a result of an infestation?

Mr. ROBERTSON. Mr. Chairman, it is not a case of all the trees on an acre dying. Some of the trees throughout the area die, and oak trees are the favorite host for the gypsy moth.

So I don't think it kills all the trees, but some of the trees.

Senator BYRD. Well, you surely have some idea as to the percentage, don't you?

Mr. ROBERTSON. Mr. Chairman, I have a couple of my experts on the gypsy moth here, and I would like to ask that Tom Schenarts, the Director of the Northeastern area for State and private forestry and Denver Burns, the Director of the Northeastern forest experiment station, to help me out on these questions.

Senator BYRD. All right.

Mr. SCHENARTS. I am Thomas Schenarts. I am the Director for Northeastern area, State and private forestry.

The loss due to the gypsy moth occurs primarily in the oak species, and if it is untreated in the course of 2 to 4 years you could lose 25 to 30 percent of the oak.

Senator BYRD. Twenty-five to thirty percent in 2 or 3 years.

Mr. SCHENARTS. Yes; it will take out 20 to 30 percent of the oak as it moves through by the first 2 or 3 years if it is not treated.

Senator BYRD. Now, what happens after the first 2 or 3 years?

Mr. SCHENARTS. The insect usually goes to underground propagation for a while, and then it will arise again and feed on whatever it can find. There are a lot of species, they don't wipe out everything. There are some cases where it does, but not usually.

Senator BYRD. Dollarwise, how much are we talking about if 20 to 30 percent—25 to 30 percent are lost in 2 to 3 years?

Mr. BURNS. My name is Denver Burns.

Our experience in Pennsylvania shows that the average dollar loss per acre in Pennsylvania is estimated at $15 to $20 per acre, but it can range much higher. That is an average, $15 to $20 an acre, in Pennsylvania.

Senator BYRD. I am stunned by your prediction of the rate of expansion of gypsy moth defoliation in the whole area, the States that I referred to, and I say staggered—I will try to sit on that chair for a little while—by your prediction with respect to West Virginia. In 4 years, you predict that gypsy moth defoliation—in less than 4 years—will increase from 2,500 to 8,250 to 100,000 acres.

Senator MCCLURE. Would the Senator yield?

Senator BYRD. Yes; I would be glad to yield.

Senator MCCLURE. I didn't understand one response. A loss of $15 to $20 per acre on the average. If you lose one tree per acre, you have lost more than that.

Mr. BURNS. These were stumpage values in certain conditions in Pennsylvania based on 600 plots and the total defoliation or mortality. These are stumpage values.

Senator MCCLURE. What is one oak tree of saw log dimension worth?

Mr. BURNS. Very variable value.

Senator MCCLURE. I understand that it is variable, but it is more than $15 or $20.

Mr. BURNS. Sometimes when gypsy moths pass through an area, you would have mortality. You also have growth loss. Some losses are due to reduction in growth.

Senator MCCLURE. As I understood, the testimony was that you lose on an average of about 25 percent of the oak trees in the 3- or 4-year period if the infestation is every 3 or 4 years.

I am just having trouble relating that to a loss figure of $15 or $20 an acre.

Mr. BURNS. Yes; if there is high quality sawtimber, the loss would be much greater, but here in the East we have a lot of hardwoods of low value.

It can be used if you go in and salvage it after it is killed, if you do it on a timely basis.

So, it would all depend on the original value of the forest. If you had a high-value forest, then your loss would be much, much greater.

Senator BYRD. Chief, could you take another look at these figures? Also, have the State forester in West Virginia give me an answer to the figure as to what the value would be per acre in West Virginia forests.

Mr. ROBERTSON. We will be glad to work with the staff.

Senator BYRD. You may as well do that. Look carefully at the whole area. That is a rather astounding figure, $15 to $20 per acre.

I am sure glad Senator McClure caught that one before we went past it. We will be very interested in having your followup figures.

Would someone please check to see if there are three reporters on the way now? [Laughter.]

Well, I am sure that you gentlemen know that I can't sit idly by on the committee here when faced with predictions such as these. What impact will this have on activities such as hunting and camping and trail usage and other outdoor recreation activities?

Mr. ROBERTSON. Well, a forest that has been defoliated——

Senator BYRD. Are you having trouble hearing down there?

All right, I am sorry. It may be the acoustics.

Did I sound like I had my mouth full of turnips? [Laughter.]

All right, how about the activities such as hunting and camping and trailing, and so on, and are your estimates of $15 to $20 an acre—are they inclusive of the impact economically on these activities?

Mr. ROBERTSON. Well, first, Mr. Chairman, a defoliated forest by gypsy moths is not a very attractive place to go for recreation. First of all, the trees are defoliated. The gypsy moths have hair or fuzz on them that some people are allergic to. There will be droppings from the gypsy moth that is not very attractive.

So, I think if you have an area that is terribly defoliated by gypsy moths, people will just not choose to go to that particular area for their recreation.

I will have to defer to Dr. Burns on whether the recreational use was a part of the $15 to $20 estimate.

Mr. BURNS. That is not a component. The dollar values were stumpage values.

Senator BYRD. Try to give us, if you can, some estimate of the impact on the activities that I mentioned.

How many acres of the 100,000 acres would be in the Monongahela National Forest in West Virginia?

Mr. ROBERTSON. I don't believe any of those acres would be in the Monongahela National Forest, but it is very close.

Senator BYRD. Why do you say that? Why do you say you don't believe any of the acres will be in the Monongahela?

Mr. ROBERTSON. The current infestation is about 10 miles from the border of the Monongahela National Forest.

Senator BYRD. How many?

Mr. ROBERTSON. The current infestation is about 10 miles away, and the current predictions are it won't make it this year, but it will probably make it next year. They have picked up a few insects here and there in some of the traps. We are testing, and we have an active program with the Monongahela already.

Senator BYRD. What is the most that you can do now from the standpoint of appropriations and what can we do for your activities to stem this onslaught of the gypsy moth in 1987?

Mr. ROBERTSON. Mr. Chairman, our work with the West Virginia Department of Agriculture, and the State of West Virginia has been very aggressive trying to control or stop the spread of the gypsy moth.

So out of the 100,000 acres, the plans are to spray about 90,000 acres of that this year. The Forest Service will be sharing one-half of the cost, and the total cost of that is about $650,000 to $666,000, of which we will be paying one-half and the State of West Virginia will be paying the other one-half.

We will be in there treating the areas that need to be treated. It is in our current budget.

Senator BYRD. Well, you say nearly 90,000 acres of gypsy moth infected forests are planned for treatment in 1987 and your share of the program is estimated to be about $333,000?

Mr. ROBERTSON. Yes; that is correct.

Senator BYRD. How much money do you need?

Mr. ROBERTSON. Mr. Chairman, that is all the money we need to treat for gypsy moth in West Virginia.

Senator BYRD. Yes; what about the entire area?

Mr. ROBERTSON. The other 10,000 acres, could be shared with the State of West Virginia, but it is my understanding that the State of Virginia can't come up with their 50 percent for the remaining 10,000 acres.

GYPSY MOTH INFESTATION IN THE NORTHEAST

Senator BYRD. Well, what about the other States that are in this area that we find to be in the gypsy moth's path? What is your overall figure for gypsy moth?

Mr. ROBERTSON. Maybe I can ask Mr. Schenarts to kind of give you a little overview of the gypsy moth for the whole Northeastern part of the United States and how we are dealing with it.

Senator BYRD. And the amount of money that you need for an effective program. We don't want to have to play catchup ball later when we have withstood great losses.

Mr. SCHENARTS. We actually have programs going in six States. Many more States, of course, have gypsy moths and have had them since 1868. It has been around a long time.

Currently, though, we have appropriations of about $8,746,000. We have sufficient funds to meet our one-half. That is not a problem.

Some of the States, though, including West Virginia, do have a problem coming up with their 50 percent of the funds.

The total acres involved for 1987 is about 668,000 acres throughout these six States. Those States are Delaware, Maryland, Michigan, New Jersey, Pennsylvania, and parts of West Virginia.

Senator BYRD. Can you increase the number of acres sprayed over the last year?

Mr. ROBERTSON. Was the question can we?

Senator BYRD. Yes.

Mr. ROBERTSON. We could continue for a while, to fund additional acres, but the problem is State funding. We will have to have a 50-percent match, which is the maximum.

Senator MCCLURE. Mr. Chairman, I wonder if we could interrupt a moment now.

Senator BYRD. Yes.

Senator MCCLURE. We have a reporter here, and I might just note that we have recorded what has happened up to this point. I wonder if it would be appropriate that we provide the reporter with that recording and that he could transcribe that recording, with an appropriate note in the hearing record that it was not officially reporter's notes but from a recording.

Senator BYRD. Yes; that will be done, and I thank you, Senator McClure, for that suggestion.

GYPSY MOTH ERADICATION

Senator BYRD. Would you provide to the committee a maximum effort plan aimed at curbing the gypsy moth sweep down the Allegheny Mountains from Pennsylvania to Virginia and West Virginia to North Carolina to Tennessee? The time is short but I want your commitment that you will prepare and submit such a plan shortly.

Mr. ROBERTSON. We will prepare a plan, Mr. Chairman, as you request. But I would like to point out it is just not physically possible to completely eliminate the gypsy moth. It is an endemic species—either epidemic in certain places or endemic, and the population goes in cycles up and down, and it happens that we are on an up cycle in West Virginia. It's on a down cycle in some of the other States.

It's not a matter of trying to eliminate or stop the gypsy moth, we are trying to control it, slow it down so we limit the damage in high-value areas such as towns or residential areas, recreation areas, and high-value timber or other resources.

Senator BYRD. Perhaps this is why the gypsy moth is not only infesting the forest, it is with the momentum it is, but it's building up ahead of you, tremendously.

Why not a greater effort? I realize it may be impossible to stamp out the species, but why not try to eliminate this pest, rather than just to control it? It seems to me that the losses, and we are going to be interested in the material that you supply for the record, but it seems to me that the losses that are inuring from this advance of the gypsy moth, will be much greater than the appropriations that you have can effectively control.

You indicated earlier you are not including the impact on camping and trailing and hunting in the area. I'm a little disturbed at what appears to be a less than full speed ahead effort, in dealing with this gypsy moth.

You say it's gone from 2,500 acres to 8,200 acres, up to 100,000 acres, in West Virginia alone. Just in 2 or 3 years.

Is that controlling the moth? Do those figures indicate that you are being successful in controlling the areas? Wait until it hits the Monongahela Forest and then the costs will be greater than $15 or $20 per acre. How many acres are in there, 1 million, roughly?

Mr. ROBERTSON. Something like that, yes.

Senator BYRD. That's a great forest. That would be good eating for the gypsy moth, don't you think?

Mr. ROBERTSON. There are areas where we do attempt to eradicate the gypsy moth. We have a big infestation in the Northeast in which Virginia, West Virginia are on the leading edge right now. We have a spot infestation in Oregon, in the Douglas fir. We found out that the gypsy moth not only likes oak, they like Douglas fir, which is the big timber species on the west coast. So we are trying to eliminate or eradicate that particular spot. It also has jumped south, as you pointed out earlier, to North Carolina, to a spot of about 10,000 acres just north of the Georgia border. There is another attempt to try to eradicate that spot location.

But, in the main area here, which covers the whole Northeast, we are more in a situation of trying to slow down its growth, and as I point out, protect the high-value areas.

Senator BYRD. Do you want the record to stand that the goal is not to eradicate this vicious and voracious and costly pest?

Mr. ROBERTSON. Mr. Chairman, nothing would please me more than if we could eradicate it if we knew how to do it. What I'm saying is we just don't think it's practical to eliminate the gypsy moth in the main area here where it is located.

For Senator McClure's information we even trapped one in Idaho last year.

Senator BYRD. Why is it not practical? Are we looking fully at some kind of a price tag without viewing the costs to our natural resources, on the other hand, and the costs to our economy, on the other hand?

Mr. ROBERTSON. Mr. Chairman, no, we are considering all of those things and we are trying to do something about the gypsy moth. But, even if we have all the money that we could possibly use, we still could not totally stop the gypsy moth, or eliminate it.

Senator BYRD. Well, define for the record what it would cost to do a maximum effective effort, not just to control certain areas. You could do better than that. I think the people expect us to do better than that, and I expect us to pay more to get that done. Because in the long run it is going to inure to the benefit of the people and the States that are involved.

FOREST SCIENCE LAB AT MORGANTOWN, WV

The forest science lab at Morgantown, and I'm not going to impose on my colleagues further—let me get this one question in.

The forestry sciences lab at Morgantown, WV, has a 1988 base gypsy moth program of $1.3 million. The research effort at Morgantown is aimed partly at determining a gypsy moth hazard or risk for certain tree types in a forest and partly testing gypsy moth controlled techniques in the field.

Why are the ongoing research efforts at Morgantown being proposed for a reduction of $408,000, 31 percent, in 1988?

We know the forest tests affect millions of acres and you have indicated yourself that the gypsy moth problem is growing in West Virginia. West Virginia is going to be invaded, you say, at a rate of 250 percent a year.

The research at Morgantown and other sites is good research, and that insect and disease control research is one of the most basic responsibilities of the Forest Service. And yet the 1988 budget proposes a reduction.

Why? Why? Why are we going to be in for such a proposed reduction, 31 percent, in our research efforts at Morgantown?

Mr. ROBERTSON. Mr. Chairman, since Dr. Burns is in charge of all that research for gypsy moth, I would like for him to go over the research we've got going on in gypsy moth and how Morgantown research fits into that.

Senator BYRD. I'd be interested to know as to why that kind of a cut is being proposed for Morgantown? Thirty-one percent? Dr. Burns? Can you answer that?

Mr. BURNS. Yes; if I may. The goal of the Gypsy Moth Research Program has been to figure out ways to prevent or delay insect population outbreaks. This is in recognition that there is no likely effective biological or other kinds of controls that can be used for the gypsy moth as it spreads across the country.

Senator BYRD. In other words are you giving up? Are you giving up? No way?

Mr. BURNS. We are definitely not giving up but we recognize that the insect has occupied already almost one-quarter of the country, and the case is, now, how can we live with it and live with it in such a way that it's not economically or socially damaging to the population?

Senator BYRD. Do you know how we can live with it?

Mr. BURNS. Areas in which the insect is not in an outbreak stage is living quite comfortably with it. It's not creating a problem.

Senator BYRD. They will come in for their share at some future time, won't they?

Mr. BURNS. That's correct. If we don't find ways to monitor and control the population.

Senator BYRD. How are we going to find ways if you cut the research budget?

Mr. BURNS. The research has been underway for a number of years but some lines of research dealing with the understanding of the insect have reached a conclusion and, therefore, we are proposing to drop those in 1988. We are continuing on with over $2.3 million to do the research in those areas for which we don't yet have answers or sufficient knowledge.

Senator BYRD. Are you saying the Morgantown research station is not going to be able to conduct that kind of research?

Mr. BURNS. No; the Morgantown research location is a unit for the gypsy moth effort. All our research is not centered there. The kind of work is field work with cooperators. They work through Morgantown, rather than at Morgantown itself.

Senator BYRD. You don't really believe that with the gypsy moth invasion that's about to occur in West Virginia and in these other areas in the Alleghenys, you don't really believe that you are going to impress this committee with the profoundness of your persuasive talents, that there should be a 31-percent cut in research in Morgantown?

Mr. BURNS. We have had a program of research that has been developed and is updated each year. These are lines of research which we have brought to a conclusion and we do not care to continue them. We don't think that is useful.

Senator BYRD. You don't care to continue them.

Mr. BURNS. There's not a need for additional information in the areas we are proposing to drop. For example, the effects of parasites on low-level gypsy moth populations is an area where we have sufficient data to understand what the effects of those parasites are on gypsy moths.

Senator BYRD. Chief, your associate needs help.

Mr. ROBERTSON. Mr. Chairman, each of our research projects like Morgantown and other places have specific research objectives and an action plan and a budget to go along with that research. What Dr. Burns is saying is that some of the research that we have been doing on gypsy moths at Morgantown, has been completed. We are proposing to drop the funding, then, that had been going into the completed part of the research and shift that funding to other priorities in the Forest Service.

Senator BYRD. Supply to the committee what is happening in each of the other stations where research is going on. What would be solicited, to what purposes, and may I add that there will be additional questions for the record, for you.

Mr. ROBERTSON. We will be happy to do that, Mr. Chairman.

COOPERATIVE LAW ENFORCEMENT

Senator BYRD. My colleagues have been very indulgent to me. I would like to give the floor to Senator McClure.

Senator MCCLURE. I note, Mr. Chairman, we have a couple of other Members here who also wish to ask some questions, so let me take a little bit of time now and reserve the balance of my time for later in the morning.

Mr. Secretary, I note you suggested you are going to have to catch a plane, and heaven forbid anybody would ask you to stay in Washington all the time, so if you can get out of town, that's fine, it will probably benefit your perspective to get outside the beltway. I do want to ask a question, however, that I know you have a particular interest in and that's the drug enforcement actions.

In fiscal year 1987, Congress provide $6.7 million for the Cooperative Law Enforcement Program. It is my understanding that $1.2 million program is in the works that will supplement these funds for Forest Service drug control on National Forest System lands.

If this reprogramming is approved, fiscal year 1987 funding for the cooperative law enforcement, will be $7.9 million.

By comparison, in fiscal year 1988 you were proposing a total of $5,696,000 for cooperative law enforcement of which $2,489,000 is for the cooperative program and $3,207,000 is for the National Forest System drug control.

I hope those figures are correct. I believe that they are.

Will the use of the proposed National Forest System drug funds be coordinated with the local cooperative agreements?

Mr. DUNLOP. Yes, sir; without question. The entire effort we hope to make is intended to use cooperative agreements not only with our State and local people but also other entities of the Government including drug enforcement people and others.

Senator MCCLURE. Will these funds actually flow through to local sheriff's department or stay with the Forest Service?

Mr. DUNLOP. Not necessarily. We have a significant amount of funding that will go through the cooperative program, 2 million dollars' worth.

Senator MCCLURE. Is that an increase over the past?

Mr. DUNLOP. No, sir.

Senator MCCLURE. In other words the entire increase in this activity is to be expended by the Forest Service with Forest Service personnel?

Mr. Dunlop. I think that would be correct; yes.

Senator McClure. There's no increase on the side of funding the cooperative efforts by local law enforcement?

Mr. Dunlop. No, sir; we think the effort we have now with the $2 million is successful. The principal emphasis of that type of effort with cooperative local people is to find the marijuana plants and destroy them. And the new effort that we are making is, of course, building on that, but also conducting certain types of activities that we would need to do initially.

Senator McClure. Wouldn't it make sense to increase the efforts of local law enforcement as well by providing some additional funding to local law enforcement?

Mr. Dunlop. Well, sir, we happen to believe the effort we are making now, at the level we plan for, is adequate to do it.

The reason that we are asking for this money to be directed this way is the type of work is different. In other words, we are trying to get these criminals that are growing marijuana, rather than focus on the plants. We are going to need to conduct long-term surveillance and other types of criminal investigation activity that, frankly, the local law enforcement people are either not directly interested in or equipped to do. We are going to cooperate with them in every way, and much of the effort that we make will benefit the local law enforcement and they are very enthusiastic about our effort.

Senator McClure. I have no doubt that they appreciate law enforcement for something which—there is a very much larger program to be dealt with but I'm certain they are glad to see the Federal Government increasing the efforts to deal with that problem.

I have a little trouble here because the table, in your justification, and I'm looking at pages 137 and 138——

Mr. Dunlop. Yes, sir; I have those documents.

Senator McClure. Cooperative law enforcement appears in the table for 1987 at $6,660,000.

Flip to the next page and I see cooperative program estimate for 1988 and $2,489,000. Does that mean there's a decrease of $4 million in the cooperative program?

Mr. Dunlop. Yes, sir; it does.

Senator McClure. How is the local law enforcement going to get awfully enthusiastic about that?

Mr. Dunlop. In regard to the marijuana aspect, $2 million of that is going to be devoted to the marijuana efforts.

Senator McClure. You are taking money out of the cooperative agreement and putting it into Forest Service activities?

Mr. Dunlop. No, sir; the activity—well, in a general sense, you mean the $4 million difference.

Senator McClure. You cut it by two-thirds.

Mr. Dunlop. Those are for cooperative type of law enforcement activities that relate to the general enforcement of law, such as speeding tickets and drunk driving.

Senator McClure. Those still go on, don't they?

Mr. Dunlop. Indeed they do.

Senator McClure. And you still have the same basic law enforcement problem there and now you have an additional law enforcement problem relating to drugs.

Mr. Dunlop. Yes; which is extremely acute.

Senator McClure. Yes; it is acute and we are very concerned about it. But your response is to take away from basic law enforcement and cooperative agreements two-thirds of the money you put there in order to deal with this problem?

Mr. Dunlop. No; not to deal with this additional problem. That request was made last year as well, before we had the focus on the cannabis problem.

Senator McClure. The request for the decrease in cooperative agreements?

Mr. Dunlop. That's my understanding; yes, sir. You know, overall, what the Forest Service is trying to do is figure out ways that we can reduce our demand on the Federal budget.

Part of the philosophy that runs through all of these line items in our budget is that in those instances where there are transfers from the Federal Treasury, which is in gross deficit, to States which don't run deficits, that those income transfers from the Federal Government to the State will be reduced. That's our philosophy.

Senator McClure. I hear you. Now let me ask you a question.

I know you have been here in Washington for a long while. Were you ever involved in local government?

Mr. Dunlop. Well, not as an operating official; no, only as a volunteer.

Senator McClure. Were you ever involved with county commissioners making county budgets?

Mr. Dunlop. Not directly; no.

Senator McClure. I can't speak for all the rest of the States, but that's where I started so I have some familiarity over the last 35 years of the difficulty counties have of making their budgets. County sheriffs in Idaho get zero money from the State.

Mr. Dunlop. Well, indeed, I guess that would be a problem. You know it would be one that in our philosophy would be suitable for the State general assembly to address. That's just our philosophy.

Senator McClure. But they never have. The structure of State and local government is such that the local governments provide certain services and they provide all the funding for it.

Now, I understand the general philosophy that says States don't run deficits and, therefore, they are better off than the Federal Government, that does. But I look at this kind of a problem in many of the counties in my State, where the percentage of Federal ownership of the land territory within that county is very great, for cooperative law enforcement has been an absolutely essential part of the local support for law enforcement.

Mr. DUNLOP. Yes, sir; I would guess in your State of Idaho, which is so overwhelmingly owned, I guess I could say, by the Federal Government and managed by the Forest Service, that would be a particularly unique problem. I can see how that would be very much in your mind.

Senator MCCLURE. There's 17 States out of 50 that have that problem. It isn't just Idaho. And in some areas I suspect in eastern States where the Forest Service does, indeed, own and manage a great deal of land, it could be a high percentage of some counties in eastern States.

The fact that the Federal Government owns and manages the land, however, doesn't reduce the amount of law enforcement requirement. One of the things that's typically true in the eastern United States is a tremendous volume of recreational use of those Forest Service lands. And that means people. And people mean problems. Not just marijuana. You get lost hikers and lost children and hunters that get out there and you have injuries in the back country. And local law enforcement bears the brunt of most of that. I think it would be true that you don't really try to provide all that kind of infrastructure service within the boundaries of the Forest Service, chief.

Mr. ROBERTSON. No; we do not.

Mr. DUNLOP. I might say that's part of our philosophy of not having our people being law enforcement people. We do rely a whole lot on the local people.

Senator MCCLURE. You do rely on them and part of your philosophy is also to be good neighbors, and good neighbors don't beggar each other. The other philosophy is saying, is pass the buck back to the State—pass the responsibility but not the bucks, back to the State, is a beggar-thy-neighbor policy.

If you cut support for cooperative law enforcement by two-thirds, that means that that government, that local unit of government simply cannot meet the demands of public service within the boundaries of the forest. It just can't do it.

I suspect it's the local sheriff that gets 90 percent of the calls, not the Forest Service gets 90 percent of the calls, with respect to purchases of one kind or another that occur on those public lands. And, as a matter of policy I think it's correct, isn't it, chief, that as a matter of policy the Forest Service relies upon local law enforcement for the bulk of those services?

Mr. ROBERTSON. Yes; that is correct.

Senator MCCLURE. As the drug problem rises, and it certainly is, that's a new and additional problem. It doesn't subtract from the others. I just don't understand at all a philosophy that says we can take two-thirds of the money out of cooperative law enforcement in order to enhance the Federal agency activity with respect to a single part of the law enforcement problem. And I don't think I'm missing something here.

If I am missing something, I wish you'd tell me.

Senator BYRD. They weren't listening. I don't hear anything.

TIMBER SALES PROGRAM

Senator McCLURE. Let me turn for a moment to the Timber Sales Program. In fiscal year 1987 Congress added funds for advanced timber sales engineering and design activities. These funds were added to enable the Forest Service to be able to maintain the option of continuing historic sales levels in future years. The volume created as a result of the Timber Modification Payment Act won't be available forever. About 2.7 billion board feet are to be offered in fiscal 1988. When that volume is gone the Forest Service must have sufficient volume of timber sales well along the planning process to continue an even flow of sales. I think you would agree with that statement.

Mr. ROBERTSON. Yes, sir.

Senator McCLURE. How much volume is on the shelf now that could be offered to cover part of that shortfall?

Mr. ROBERTSON. We have about 800 million on the shelf far enough along that 80 to 90 percent of the work is done.

Senator McCLURE. About 800 million.

Mr. ROBERTSON. We always have some timber in the pipeline that's close enough so that very little work is needed to put it on the market. But we'd have to fill in behind it or else we'll pay the price later.

Senator McCLURE. Yes; that 800 million is between 70 and 75 percent of the harvest volume of last year?

Mr. ROBERTSON. I didn't understand the question.

Senator McCLURE. What was the harvest volume last year?

Mr. ROBERTSON. The harvest volume was 11.8.

Senator McCLURE. Between 7 and 8 percent of the harvest volume of last year. I got my decimal in the wrong point.

If the Forest Service is not ready with sufficient green sales, how would the volume shortage be made up and what would be the impact on slumping prices?

Mr. ROBERTSON. Senator McClure, the proposed budget for 1988 is 11.1 billion more feet, and the budget is sufficient to do the advanced work for 1989 and 1990 and 1991, to maintain that 11.1.

Senator McCLURE. What's the current harvest level?

Mr. ROBERTSON. Last year the harvest level was 11.8. It looks like it may be about that level this year as well.

Senator McCLURE. So you have programmed that as an average, which is about 800 million or 700 million board feet below the current harvest levels? Is that correct?

Mr. ROBERTSON. That is correct.

Senator McCLURE. What impact will the Canadian agreement have on total United States timber consumption, that is total United States timber, not lumber?

Mr. DUNLOP. We don't expect it to have any significant impact.

Senator McCLURE. You think the Canadians will sell in our market just as much with a 15-percent surcharge as they did without one?

Mr. DUNLOP. Yes, sir; the impact will be to increase prices generally for everybody. The demand is there, the trees are there. We expect that to proceed.

Senator McCLURE. I would assume, if my competitors' price rose 15 percent I'd be in a better competitive position. Is that correct?

Mr. DUNLOP. Yes, sir.

Senator McCLURE. If I'm in a better competitive position I'll get more of the sales, wouldn't I?

Mr. DUNLOP. I would expect so.

Senator McCLURE. How do you figure if there's a 15-percent increase in their margins and we have a better competitive position that we don't increase sales?

Mr. DUNLOP. Well, sir, we would like to think due to an expanding economy and other reasons we can increase sales. The heart of your question gets into the nature and the way in which the Canadian timber industry is organized. There's a lot of people who analyze the situation and believe that they've got the room to continue to market the timber.

Senator McCLURE. Regardless of cost.

Mr. DUNLOP. Yes, sir.

Senator McCLURE. Why are they complaining so much, then?

Mr. DUNLOP. You mean the Canadians?

Senator McCLURE. Yes; I suspect you've heard them.

Mr. DUNLOP. Yes; I don't think their complaints are——

Senator McCLURE. Step outside. They'll come to.

You cup your ear they have been screaming to high heaven what's going to happen to their market.

Mr. DUNLOP. We don't share their concern. We think it's unsound.

Senator McCLURE. Your judgment is they are just crying wolf, it won't affect their market at all.

Mr. DUNLOP. I would associate with that. Yes, sir.

Senator McCLURE. I can't agree with that. If I took economics 101, maybe I could understand it better.

Mr. DUNLOP. We'll have to see, maybe have a visit next year and see how it turns out.

Senator McCLURE. The departmental request, from the Forest Service, up through the Department—chief, did you request a sales volume of 11.1?

Mr. ROBERTSON. Yes; we did.

Senator McCLURE. That request was the request that went out, Mr. Secretary?

Mr. DUNLOP. Yes, sir; indeed, it was.

Senator McCLURE. So OMB didn't reduce your request at all?

Mr. DUNLOP. No, sir; they didn't.

Senator McCLURE. In the late 1970's, a strong demand in the housing market, and record prices for lumber, pushed timber harvests to record levels.

By the early 1980's the trend reversed itself dramatically and, until 1985, the industry experienced the worst markets in some time, and perhaps the worst markets in history.

What is the relative level of demand for wood products in 1985 and 1986, and 1987, compared to the past 5 years?

Mr. ROBERTSON. Senator McClure, we set an all-time record last year on soft wood timber consumption of 46.5 billion board feet. The previous high year was 1978 when we had about 44 billion board feet.

Senator McCLURE. What did we hit 5 years ago, 1983? Or 1982?

Mr. ROBERTSON. 1981 and 1982, were the low points, they were around 25 to 28 billion.

Senator McCLURE. About one-half, a little better than one-half of what had been in 1978, and what it is now?

Mr. ROBERTSON. That is correct. And the housing starts were down. Remember we hit a low of, I believe, 1.1 million housing starts in 1982 and last year we were up to 1.8.

Senator McCLURE. I have some further questions which I will submit for the record with respect to your judgment of demand for housing units, demand for soft wood timber products and demand for paper, which is associated and which has remained relatively stronger than the mentioned lumber, as compared to the harvest levels which you have projected.

Mr. ROBERTSON. I think we had a compensating factor last year in that the Canadians had a strike a big part of the year. That helped the American producers, which—the strike is over now and, of course, they've got the 15 percent import fee and the market is good. So I think the Canadians will absorb a lot of that but when we get into the crunch again the Canadians are going to have a problem absorbing that 15 percent and being competitive.

Senator McCLURE. As a matter of fact by their policy they can just take it out of stumpage; the Government can finance the entire shortfall; is that correct?

Mr. ROBERTSON. Yes; they can do that. It's uncertain just how the Canadians will react to this situation.

Senator McCLURE. Just one further question and I'll yield to my colleagues, that is, with respect to the volumes of timber that can be expected to flow from the southeastern United States——

SOUTHERN TIMBER STUDY

Senator REID. Would the gentleman yield?

Senator McCLURE. I'd be happy to.

Senator REID. Mr. Chairman, I have to go and preside, and you'll be unhappy with me. My time is gone and I have to get over there but if I could submit these for the record and ask Mr. Robertson to submit answers to me I'd sure appreciate it, and to the committee.

Mr. ROBERTSON. Yes, sir.

Senator McCLURE. The recent study titled "The South's Fourth Forest, Alternatives for the Future" indicates that there is less timber available in the South than previously projected.

The study shows, in fact, that timber harvest exceeds growth in the towns and that the trend is likely to continue through the year 2000.

This is alarming because previous projections of timber supply relied heavily on timber from the nonindustrial lands in the South. The study contains a great number of recommendations for turning the situation in the South around. The study, however, is silent on the implications of a decrease in the southern timber production potential on the demand for timber on western national forests.

This is especially important since a number of groups have suggested that reductions in timber from the national forest could be made up by increasing harvests on private lands in the South.

Does a reduction in southern timber production potential mean that timber from the national forests will play a more important or less important role in meeting future demand for wood products?

Mr. ROBERTSON. Well, it certainly won't play a lesser role for the national forests. But if there is a drop, and it's not certain that there will be, there's lots of potential in the South if some actions are taken to maintain and maybe even increase timber production in the South. Some things have got to be changed in terms of levels of management and some investments. So, if there is a drop in the South, the other people in the market will have to make that up. That could be other areas of the country such as national forest in the West. We've got some States like the lake States that are coming on strong now in terms of timber, that has grown back after it was clearcut around the turn of the century. So there will be other areas of the country who will be looking at any market share that might be dropped in the South. But I'd like to point out that that is not a sure thing.

Mr. DUNLOP. Indeed, Senator, the reason I must leave shortly is that I'm going to a meeting in Raleigh, NC, to discuss this subject. Assemblies of large numbers of people in the South are focusing on that study that you describe and many of the States are organizing vigorous efforts to assure that the private landowners who own the overwhelming amount of this potential get cracking and begin to realize the economic potential they have. We don't see the problem developing if we can turn things around. We see it developing only if it follows the trends of the very recent past.

Senator MCCLURE. Is the national policy today, of this administration, dependent upon a successful reversal of those trends in the South plus the trends in the lake States? Or are you making some plans or taking some consideration of the possibility of increased demand upon western forest lands?

Mr. DUNLOP. Senator, as you know the Resource Planning Act, RPA plan and our assessments and all of those things requires us to have this long-range study and view and we are, indeed, taking those things into consideration. Our RPA has a high bound and a low bound and we are watching these things very, very carefully.

It is of utmost importance that we have a careful understanding of what is developing in these matters.

Senator MCCLURE. Has the RPA assessment been updated to reflect the decreased potential of southern timber lands?

Mr. DUNLOP. No, sir; it has not. Again I would like to pick up on what the chief said. This decreased potential is not a certainty; it's not there yet. And we, some of us, particularly some of us who are from the South, would like to make sure that that doesn't happen.

Senator McCLURE. That's really what I would like to get at, is whether or not you factored that in, and your answer is no, you have not.

Mr. DUNLOP. We haven't seen reason to factor it in yet, but if we have to factor it in, there's no question we will. We are obligated to under law.

Senator McCLURE. But you really are, at least for now, depending on being able to turn it around in the South?

Mr. DUNLOP. I would say that's correct; yes, sir.

Senator McCLURE. That's different than your answer 5 minutes ago.

Mr. DUNLOP. I don't understand it to be.

Senator McCLURE. Mr. Secretary, what I asked a moment ago is: Are you depending upon being able to turn it around? You said no.

Then I asked you if you reflected it in the RPA, you said no, you are depending upon turning it around. Those are two different answers.

All I'm really trying to get is to find out from you what you have done or what you are anticipating. The fact of the matter as I get it is that you are anticipating a turnaround in the South, reversal of the trends in the South, so you don't have to change your RPA assessments.

Mr. ROBERTSON. Senator McClure, maybe I could add to that? The projected downward trend or reduction in the South, if it occurs, is out about the year 2000 or 2010.

We will redo the RPA assessment in 1990; and, so, we will crank in the southern situation into that 1990 RPA.

Senator McCLURE. As you view it at that time?

Mr. ROBERTSON. Yes.

Senator McCLURE. Thank you very much. I have a number of other questions which I will submit for the record. And I thank you, Mr. Chairman.

Senator BYRD. Thank you, Mr. McClure.

RESEARCH LAB AT PRINCETON, WV

West Virginia has a very good research program, at the Princeton, WV, forest research service center. I'm glad to note that there is an increase of $142,000 proposed for research there.

The increase would be used to improve the use of eastern hardwoods through efficiencies at the saw mill.

Can the results of this processing research be adopted by manufacturers to use low-grade timber to make high-volume finished furniture products?

Mr. ROBERTSON. The answer to that is yes.

Senator BYRD. What will the economic results be of such research?

Mr. ROBERTSON. Again I would like to call on Denver Burns to help me answer that question.

Mr. BURNS. If we can make high-value parts out of low-quality timber we are obviously having a high value-added product, a high value added to every manufacturing facility that uses those hardwoods.

Senator BYRD. Forest products industries is the fifth largest employer in the State, is it not?

Mr. BURNS. I believe it is, yes.

Mr. ROBERTSON. I remember seeing a report yesterday, you have about 15,000 people working in the forest product industry in West Virginia.

Senator BYRD. So this kind of research would enhance that industry's efforts to employ more, would it not?

Mr. ROBERTSON. Yes, it would. In fact, there is not a lot of value added through secondary manufacturing of wood products.

Senator BYRD. This kind of research should assimilate an expansion of the efforts in the State of West Virginia to be more of a value-added activity, don't you think?

Mr. ROBERTSON. Yes; that's the purpose of the research and that's an objective that the Forest Service has, to make our forests contribute more to the national economy and even capture some of the export market and maybe reduce some of the imports into this country.

Senator BYRD. West Virginia is the fourth most heavily forested area, State, in the United States. Is that not true?

Mr. ROBERTSON. I don't know the exact statistics but it sounds about right.

Senator BYRD. About 75 percent of the land base is forest——

Mr. ROBERTSON. Yes, sir.

Senator BYRD [continuing]. In West Virginia. So I'm pleased that you feel that that research there can be expanded and utilized to produce more highly valued, finished, goods. What's the current staff level at the Princeton labs?

Mr. BURNS. The current staff at Princeton, WV, is 21 people, 3 more are in the process of moving to Princeton, WV, from other locations, so by the end of fiscal year 1988 the staff will be at 24.

Senator BYRD. Would you provide to the committee an analysis of current staff levels and a planned program of research increases and associated staff levels that would fully utilize the Princeton laboratory?

Mr. ROBERTSON. Yes; we will do that.

PARSONS RESEARCH LABORATORY

Senator BYRD. What can you tell us about the Parsons laboratory, which was greatly damaged by the November 1985 floods?

Mr. BURNS. I was at Parsons last Friday. The laboratory is back in full operation. All equipment replacement, supplies have been ordered. Some have arrived. We are waiting for more suitable weather to rework the roads and the parking areas, the greenhouse-head house complex and some repairs to the roof of the laboratory. Everything is on schedule.

Senator BYRD. What will be the staffing level?

Mr. BURNS. The staffing level at Parsons is at 20.

Senator BYRD. How does that compare with preflood staffing levels?

Mr. BURNS. That has been a stable staffing level, going back as far as 1982 the staffing was at 21.

Senator BYRD. So you will still be up to that level?

Mr. BURNS. Yes, sir.

Senator BYRD. The committee provided $188,000 in the 1986 supplemental appropriations bill to repair flood damages. What can you tell us about the greenhouse and the nursery building?

Mr. BURNS. As you know, the flood completely destroyed the existing greenhouse and head house. We will be replacing that this spring when we have adequate construction weather.

Senator BYRD. You have sufficient funds to complete that project?

Mr. BURNS. Yes, sir; the funds that were supplied for fiscal year 1987 are sufficient.

MONONGAHELA NATIONAL FOREST

Senator BYRD. In the fiscal 1986 supplemental we appropriated $1.7 million to pay for flood damages incurred on the Monongahela National Forest; roads, campgrounds, trails, and recreation facilities were especially hard hit.

Is repair work on schedule? Are there any remaining flood damages that need to be directed?

Mr. ROBERTSON. I'd like for Butch Marita, our regional forester, to answer that.

Mr. MARITA. Good morning, Mr. Chairman. In response to that question, the flood repair work, as a result of that flood, is basically on schedule. We are approximately 1½ months late, but we do expect we will basically complete the flood rehabilitation work on schedule depending on how our number of contract awards go.

Senator BYRD. Do you have sufficient financial resources to do this job?

Mr. MARITA. Mr. Chairman, we think we do. We do have some work, yet, that has been identified that was not recognized in the first assessment but, because of a number of large projects that have not been awarded, and the contract awards that we have had, we think at this point we will have sufficient money left over from contract awards to recover those projects not planned yet.

The answer to the question is: We think yes.

Senator BYRD. So the answer is yes. The answer is yes.

Could you take a close look, again, for the record?

Mr. MARITA. Yes; we will, Mr. Chairman.

Senator BYRD. Your budget request requests $275,000 for construction for the Greenbrier office on the Monongahela. How much will be required in fiscal year 1988 to complete that?

Mr. MARITA. We had $146,000 planned in fiscal year 1987. The funds planned in 1988, coupled with 1987, will be sufficient to complete the Greenbrier office.

Senator BYRD. The 1987 project, is it on schedule?

Mr. MARITA. No; it is not. With $146,000 appropriated in the 1987 budget we would have had to divide the project into two phases. Mr. Chairman, we chose to delay the first phase and add that $146,000 to the appropriations that we would expect in 1988 to complete the project in one contract, which would be better for us and the taxpayers.

Senator BYRD. All right. We'll follow that with interest.

LAND ACQUISITION

The budget requests $3,907,000 for 1988, a reduction of 93 percent, or $48 million below fiscal 1987 appropriations to date. The administration proposed a rescission of $49,030,000 which expired on March 16. The administration also deferred $27 million and has proposed Congress agree to transfer this $27,070,000 to pay for retirement for Forest Service employees. Where do we stand on the Forest Service to acquire the Shaver's Fork tract in the Monongahela National Forest?

Mr. ROBERTSON. Mr. Chairman, the trust for public land has an option on that property and they have obtained an appraisal of it which we, I believe, they have now and are reviewing it.

Senator BYRD. When do you think that process will be completed?

Mr. MARITA. Mr. Chairman, we do have some question about the appraisal. We expect that we will have those questions answered within the next week.

If we can resolve those questions on the appraisal, we expect that probably, in 2 to 3 months, we could reach agreement on that tract of Shaver's Fork.

Senator BYRD. Do you intend to seek less than fee acquisitions, donations or exchange?

Mr. DUNLOP. Well, yes, Mr. Chairman. We would seek to deal with the people that own that property and negotiate with them the best factors that we can get for the Government so we could make the largest amount of land acquisition possible for the least dollars.

But it's a matter, of course, of operating under law and established procedures and we will follow all of that very carefully. We have noticed a certain degree of interest in the landowners in discussing those matters with us and we are grateful for that.

Senator BYRD. The fiscal 1987 appropriation of $12.8 million was phase 1. There is to be a phase 2 funding in fiscal year 1988. Any delay potentially could slow the acquisition process in 1988.

Can I have your commitment to move promptly, now that the proposal has expired, to obligate the funds provided in fiscal 1987 to a procedure that is possible, to give due process and wrapping that up?

Mr. DUNLOP. Yes, sir; you may. Indeed it's a very high priority, perhaps the highest priority we have.

Senator BYRD. Before I finish with my questions that I'm propounding here, I want to touch briefly on the issue of reorganization of the Forest Service, which I understand is under consideration.

I don't want to comment on the substance of the proposal. But I want to assure that you understand that our programming procedures will require committee approval of such action. Are you aware of that requirement?

Mr. DUNLOP. Yes, sir, indeed we are, and, of course, we will comply with that.

Senator BYRD. You will comply with our reprogramming guidelines?

Mr. DUNLOP. Without question.

Senator BYRD. Senator McClure, I'm going to have to go to the floor but you proceed with the hearing.

Let me just close by saying I thank you, Mr. Secretary, and Chief Robertson, for your testimony. We'll have additional questions for the record. And we anticipate that other Members will have additional questions as well and your prompt response to those questions will be appreciated. And, Senator McClure, if you would, recess the hearings until Wednesday, April 1, at which time we will review the present proposals for the strategic petroleum reserve, the naval petroleum reserve, and the Office of Emergency Preparedness.

In the meantime, Mr. Secretary—and Mr. Robertson, don't forget the gypsy moth.

Mr. ROBERTSON. We promise we won't do that, Mr. Chairman.

Senator BYRD. If the gypsy moth kills the food supply for the deer and the bear and the turkey and the pheasants and the squirrels, you will hear a resounding noise that will get your attention. It will be louder than the noise which is coming from Canada, which you said you didn't have to cup your ears for.

Thank you, gentleman, and thank you, Senator McClure. If you will proceed.

Senator MCCLURE. Thank you very much.

Mr. DUNLOP. Mr. Chairman, I wonder if I could ask the permission of the committee to be excused so I can go exhort those people down in the South.

Senator MCCLURE. Tell them to grow trees.

Senator BYRD. You are going to West Virginia, Mr. Secretary?

Mr. DUNLOP. Yes, indeed.

Senator BYRD. Take a look at our beautiful forests.

Senator MCCLURE. Before the gypsy moth eats them. [Laughter.]

Senator BYRD. Before the gypsy moth eats them. And takes a bite out of somebody's ear. [Laughter.]

Senator MCCLURE. Thank you very much, Mr. Secretary. I'm sorry you have to leave but I understand those schedules.

I think we also ought to note that both Senator Reid and Senator Sasser who were here during a large portion of the proceedings this morning, both had to leave for other reasons.

One, really, parochial question deals primarily with a question with a broader interest on that—we put money in the supplemental interest last year with the purchase of the Reid Ranch on the South Fork of the Salmon River in Idaho. There is now, I believe, an engineering study that has been completed with respect to the treatment of the oxbow of the South Fork. Do you know what the financial requirements would be to carry out that engineering practice?

Mr. ROBERTSON. We do not have that information with us. We can supply it to the committee.

Senator MCCLURE. If you would, please, the South Fork of the Salmon is a very important fishery resource dealing with the fishery of the Columbia River system. There, I think, is an opportunity for us, in this particular area, to enhance that fishery and would invite your attention. I'll look forward to that information.

MINERALS

In the Leaseable Minerals Program, which is oil, gas, and geothermal, you are proposing a 13-percent reduction for fiscal year 1988. That's a $1,621,000 reduction from 1987. The Minerals Management Service indicates in their justification that they are anticipating an increase in oil and gas activity in fiscal year 1988. In addition, the BLM has requested a 7-percent increase for fiscal year 1988 for similar minerals programs.

What information do you have that the Department of the Interior doesn't, which led to the difference in the proposals?

Mr. ROBERTSON. I think, Mr. Chairman, that we were just operating under different assumptions. The oil and gas industry and the mining industry are down. We had projected that in our budget to continue on into 1988. Interior, evidently, projected an upswing.

Senator MCCLURE. My next question may have already been answered, that is whether or not you had discussed with them those assumptions before you made your budget proposal?

Mr. ROBERTSON. No; we did not.

Senator MCCLURE. You have requested an additional $2,588,000 for fiscal 1988 for the Locatable Minerals Program, that's hard rock minerals.

This increase will allow the processing of and administering an estimated 7,952 cases in fiscal 1988, an increase of 1,265 cases from the fiscal year 1987 level of 6,687.

What do you see in this industry that you don't see in the oil and gas industry?

Mr. ROBERTSON. Mr. Chairman, I have Lamar Beasley, the Deputy Chief for the National Forest System, that I would like to have help me answer some of these questions.

Mr. BEASLEY. Mr. Chairman, in the Hard Rock Minerals Program we, in working with industry made some projections on increased activity, particularly in gold.

We are also experiencing an increasing number of claims. This is particularly true in the States of Arkansas and Nevada. So it is on the basis of the industry and the current activity which we see, that we have reflected this in our budget proposal.

Senator McClure. Primarily in gold?

Mr. Beasley. That's correct.

Senator McClure. Is any of the increase programmed activity to eliminate the backlog?

Mr. Beasley. Historically we have never had a backlog in the solid minerals area. We have been able to keep pretty current on that.

Senator McClure. So it really is dealing with an expected increase in activity?

Mr. Beasley. Yes, sir.

WILDERNESS AREAS

Senator McClure. I want to shift to another subject. I have not asked this question in this way before but it deals with a question of choices that we make with respect to land allocations. Wilderness, in particular.

What is the value to the Government of timber in lands that are now designated as wilderness?

Mr. Robertson. Mr. Chairman, we have, I believe, about 32 million acres in wilderness. If you look at the commercial forest land that is in wilderness, it comes to about 15 million acres.

The standing inventory of timber on that, I believe, is around 190 billion board feet.

And, if you multiply that out by the average timber sales, or stumpage within, I believe, it would be about 1.5 billion dollars' worth of standing timber.

Senator McClure. That's stumpage value, not total value; is that correct?

Mr. Robertson. That's stumpage value; yes.

Senator McClure. That shouldn't be understood ~~to~~ be a 1-year value, that's the total value?

Mr. Robertson. That's the total.

Senator McClure. And under any harvest program you wouldn't harvest all of that in 1 year. So if you were to try to get an annual revenue you would calculate that much differently and over a longer period of time.

Mr. Robertson. Mr. Chairman, I gave you the wrong figure. That was in the further study areas. We are talking about in the neighborhood of $8 to $10 billion for the total wilderness.

Senator McClure. $8 to $10 billion on stumpage value for commercial lands within Forest Service boundaries?

Mr. Robertson. Yes; another $1.5 billion in further study areas.

FOREST ROAD PROGRAM

Senator McClure. In recent years, the Forest Service has been accused of not specifying road segments to be constructed in a given forest.

In response to this, report language was added to last year's continuing resolution which provided that each forest supervisor make available for public review the anticipated location, mileage, cost, and use for all local, arterial, and collector roads, required in annual timber sales program.

How does this differ from past practices?

Mr. ROBERTSON. Mr. Chairman, we have historically issued a 6-month sales plan which not only is the timber sales for the next 6 months but it also includes the proposed sale the following 6 months.

We have always issued that and that has been available to the public.

Now, that timber sale plan would include locations of the timber sales, the anticipated volume and the roads that were needed to harvest that timber.

What the plans have not included up until now has been roads built from appropriated dollars.

So, we issued a 6-month timber sale program in October, which was prior to last year's appropriation bill, and that would not have had the appropriated roads in them.

The next report, which is scheduled to come out about April 1, will include all roads, including timber sale programs and appropriations.

Senator MCCLURE. In the development of your forest management plans which project your proposals for the next 10 to 15 years, have all of those included the roading plans?

Mr. ROBERTSON. Yes; the plans do include an estimate of the road mileage to be constructed or reconstructed over the next 10 to 15 years, and some plans that I've seen, and they vary somewhat, do include a 10-year schedule of timber sales and roads associated with those timber sales.

But I do not believe all are into that great a detail, but it would include an estimate, general areas where the roads would be built.

RECREATION FEE PROPOSAL

Senator MCCLURE. How much money do you expect to get in on the fee proposal? Recreation fee proposal?

Mr. ROBERTSON. We anticipate an increase of about $16 million over and above what we are already collecting.

Senator MCCLURE. The fiscal year 1988 request for recreation management reflects a $54 million decrease. While the decrease is proposed to be offset by an increase in receipts at some camp sites and other recreation facilities, it is obvious that there's a big gap between the two. Am I correct? If you are going to reduce by $54 million and you anticipate $16 million, then you've got something like a $38 million reduction.

Mr. ROBERTSON. I need to explain that.

Senator MCCLURE. All right. Please.

Mr. ROBERTSON. We are anticipating total collection of about $52 million in recreation. We are already collecting over $30 million from recreation user fees as well as recreation special use permits like ski areas and lodges and organizational camps.

So, when you add the anticipated increase for recreation fees to the existing fees we collect plus some changes in some other recreation use, like summer homes and outfitters and guides, we estimate we will come up with about $52 million in receipts.

Senator McCLURE. Additional?

Mr. ROBERTSON. No; in total.

Senator McCLURE. In total. So whatever the reduction is—there will be a net reduction in recreation money, recreation management money; is that not correct?

Mr. ROBERTSON. I thought it was a small increase.

Senator McCLURE. You have appropriate funds and fees now.

Mr. BEASLEY. Mr. Chairman, it's about $2 million less.

Senator McCLURE. Excuse me?

Mr. BEASLEY. It's about $2 million less in recreation management, if you add it.

Mr. ROBERTSON. You are right. The reduction is $54 million, as you pointed out, and we anticipate that we can offset $52 million of that in recreation user fees.

Senator McCLURE. By increases in user fees? I thought you were already getting user fees?

Mr. ROBERTSON. But the user fees do not come back to the Forest Service to be used.

Senator McCLURE. That's the difference in the proposal, then. You expect the money to come back to the Forest Service?

Mr. ROBERTSON. That is correct. And the proposed legislation here submitted by the administration provides those receipts would come back to the Forest Service to be used to operate and maintain these recreation areas.

Senator McCLURE. So that that money wouldn't go directly back to the Treasury but directly back to the Forest Service?

Mr. ROBERTSON. Yes; I believe the wording is it would be immediately available to the Forest Service.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. Thank you very much. I have a number of other questions and it may be there are other Members of the subcommittee that also have questions to submit for the record for response in writing.

I understand Senator Leahy specifically has questions. And Senator Stevens also has some questions for the record. Others may well have. We would ask that they get them submitted very promptly so you can get prompt advice to those. We will have the advantage of your responses when we try to decide what to do.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

GYPSY MOTH

I am told that in West Virginia 2,470 acres were infested by the gypsy moth in 1985, but by 1986 this had increased almost 250%, to 8,250 acres.

1. Question: Do you have an estimate of the dollar value of the affected trees?

   Answer: In 1985, 54,020 acres were sprayed resulting in the defoliation of only 2,470 acres of trees. In 1986, 83,180 acres were sprayed and defoliation occurred on only 8,250 acres. The value of the defoliated trees ranged from $0 (for individually scattered trees and stands of inaccessible trees that can not be salvaged) to an unquantifiable value for trees in recreation areas and scenic vistas.

2. Question: I want you to review the insect and disease research program in West Virginia, in the south, in the west, and across the country, and develop for the Committee, by June 1, a further analysis of the costs and benefits of these proposed budget reductions. I have trouble believing these budget reductions are justified.

   Answer: The Forest Service has developed a task force to review the insect and disease research program in these areas. A report of the findings will be submitted to the Committee by June 1.

I want to ask a few questions about the Forest Service's insect control programs. It is difficult to estimate in advance the cost of suppressing insect outbreaks, because insect populations are not known until springtime, and appropriations have already been made. However, I am told that the latest Forest Service information indicates that the anticipated insect control needs on Federal land will cost about $15.5 million in fiscal year 1987, while we have appropriated only $8.1 million, and that anticipated insect control needs on State and private lands will be $7.3 million while we have appropriated about $8.5 million. In total, therefore, the funds appropriated to date appear to be about $6 million below the anticipated needs.

3. Question: Are these numbers accurate? Do you have a proposed plan to deal with this shortfall?

   Answer: Yes, these numbers are accurate as current estimates. However, it is still too early to determine exactly what the fiscal year 1987 pest control needs will be. Proposals for suppression projects are constantly updated as Spring surveys and evaluations are completed. Thus far, with one exception, the most urgent needs are being met. The exception is the western spruce budworm project in eastern Oregon and Washington. The Oregon and Washington spruce budworm problem is extensive and continues to be a priority. We have proposed to reprogram funds from cooperative lands suppression to Federal lands suppression to meet this need. Funding is currently available in cooperative lands suppression because all commitments with the States have been met.

4. Question: Would you review your current level of operations in other programs and let us know within a week where we may be able to use project savings or other unneeded funds to help address this funding shortfall? For example, did the Forest Service use all of the $125,000,000 we appropriated in 1987 to cover the 1986 cost of fighting forest fires?

   Answer: Records indicate $115,350,342 was spent on fire suppression activities during the FY 1986 fire season. A balance of $9,649,658 was carried over for use on FY 1987 fire suppression activities. However, the opportunities to apply additional funds to projects are rapidly disappearing. Managers who were notified that funds were unavailable for their projects did not continue efforts to prepare the environmental analyses required by NEPA. Also, most of the shortfall was associated with the western spruce budworm outbreak in Oregon. This defoliating insect must be treated in the Spring when the caterpillar stage is vulnerable to insecticide. Based on funding advice received in mid-February, the Forest Service office in Portland identified the areas that would be sprayed, ordered the pesticide and contracted for spray aircraft. We may be unable to modify existing contracts to use an increase in funding and it is already too late in the spray season to execute new contracts for planes and the purchase of pesticide.

I also note that ongoing timber harvesting systems and equipment research at Morgantown is proposed for termination in 1988, at a savings of $172,000. The research is directed at solving some of the environmental and economic problems (such as erosion or high logging costs) associated with harvesting timber on steep terrain.

5. Question: Has the research that has been completed to date solved the steep terrain logging problems?

   Answer: Research which has been completed has helped solve many of the problems associated with logging in steep terrain. Of course, many questions are yet to be answered. Because of the need to limit government spending, we are directing our research to the areas of greatest need and focusing on problems most appropriate for a Federal research role. In this case, we are redirecting our emphasis from Equipment Design and Testing to the development of Integrated Harvesting/Management Systems for steep terrain. The $172,000 savings reflects our intention to leave the design and testing of equipment to the private sector.

West Virginia is the fourth most heavily forested State in the Union, with over 75% of the land base of the State covered by forests. The forest products industry is the fifth largest employer in the State. Without good logging systems, West Virginia will not be able to use its abundant forest resources wisely.

6. Question: Has new equipment been developed? Will field testing proceed?

   Answer: New equipment has been developed and patented. Examples of new equipment include: the Appalachian Thinner (log handling machine); a steep slope feller-buncher; and modifications to skyline logging systems. The equipment has been field tested and the information has been transferred to industry.

7. Question: If the need continues for even better equipment, will the Forest Service request research money in this area in future years? Would you provide for the record, a complete summary of findings to date and future outlook for additional research?

   Answer: Forest Service research will continue to investigate ways to make harvesting on steep terrain more environmentally acceptable and more economical, however, the emphasis will be on the integration of harvesting systems and management practices rather than the engineering design of equipment. The Morgantown harvesting unit has developed a series of improvements in log-handling and cable-logging innovations for application to steep Appalachian terrain. Equipment evaluation and harvesting decisions have been computerized. Major summary findings have been that the larger cable equipment developed in the West needs to be modified for applications in the East; needs in the East tend toward smaller, more mobile cable systems; and that more needs to be done on the integration of management prescriptions and the selection of harvesting systems.

   In the future, specific modification, design, development and fabrication of harvesting equipment will be largely left to private industry and the Forest Service will concentrate on integrated systems to minimize costs, environmental impacts and problems in subsequent site preparation and reforestation.

I am also told that there is some good news in the Research program, that there is an increase of $143,000 proposed for research underway at the Princeton, West Virginia forestry sciences lab. The increase will be used to improve the use of eastern hardwoods through efficiencies at the saw mill.

8. Question: Would you provide for the record, an analysis of current staffing levels and a planned program of research increases, and associated staffing levels, that would fully utilize the Princeton lab?

   Answer: The current staff and program at Princeton, West Virginia consists of two Research Work Units with the following missions:

   1. NE-4701: To increase the use of eastern hardwoods through better processing with improved technology.

2. NE-4803: To provide an analysis of domestic and international demands for hardwood lumber and veneer and domestic supplies of these products.

The table below shows the changes in funding and staff at the Princeton Forestry Sciences Laboratory from the 1987 program to that proposed for 1988:

	FY 1987			FY 1988	Proposed FY 1988		
	Actual	Staff		Funding		Staff	
Unit	Funding	(SY)*	(Other)	Base	Estimate	(SY)*	(Other)
NE-4701	$406,000	2	3	$435,000	$578,000	4	3
NE-4803	$743,000	6	5	$786,000	$786,000	7	5
Support	-	0	3	-	-	0	3
Other 1/	-	1	1	-	-	1	1

1/ The Laboratory also houses 1 scientist and one technician as a satellite location for our Berea, Kentucky unit.

*SY=Scientist Years. Scientist years are composed of research professionals, GS-11 and above, directly associated with a specific research work unit, and responsible for independent scientific study through originality, judgement, and accomplishment directly assignable to the research work unit.

Given the reduction in the constant dollar buying power of the Forest Research appropriation over the last 10 years, and rejection of some of our proposals to close small laboratories with high overhead costs, the Research program has had to under-utilize facilities at a number of locations to maintain as efficient a balance as possible between the fixed cost of facility operation and maintenance and the funds remaining to conduct research. Although this funding increase for FY 1988 will better utilize the Princeton Laboratory, the location will still house fewer staff than it was originally designed to accommodate.

Current staffing at the Princeton, WV Forestry Sciences Laboratory is 21 people, including 9 research scientists. Staffing by the end of FY 1988 is expected to be 24, of which 12 will be scientists. The expected increase in FY 1988 is due to the planned transfer of personnel associated with the proposed increase in funding.

The FY 1988 budget proposal is already directed toward the highest priority research areas, but a planned program of research increases and associated staffing levels that would, if implemented, adequately utilize the Princeton Lab could include increases in the following research budget line items:

Program	Program	Funding
1. Accelerate research on processing of eastern hardwoods to emphasize high value-added processing (2 scientists, 2 technicians)	Forest Products & Harvesting	$250,000
2. Accelerate research on non-tariff international trade barriers (1 scientist, 1 technician)	Renewable Resources Economics	$100,000

This increase could be offset with reductions at other facilities without adversely affecting the proper balance of research within the Forest Research program.

STATE AND PRIVATE FORESTRY

In the State and Private Forestry Program, the Forest Service request is for $35,434,000, a reduction of $23,512,000 (or -40%) from fiscal 1987 appropriations to date. The budget proposes to eliminate the grants to the States for hiring state foresters to provide technical assistance to forest landowners, primarily small, private individuals, frequently farmers. Furthermore, assistance to the States for fire protection is reduced 65%, from $13,600,000 in 1987 to a proposal of $4,778,000 in 1988.

One of the most pressing National problems we have is our international trade deficit. Forest products, unfortunately, contributed to this deficit by $5.7 billion in 1985. While U.S. exports of forest products continue to hold at about

11% of the world forest product trade, U.S. imports of forest products have increased.

Last year, Congress asked the Forest Service, in conjunction with State Foresters, to develop a national marketing initiative that would improve U.S. forest product exports. I understand that the Forest Service has completed such a plan.

9. Question: Would you briefly describe how the program would work?

   Answer: The National Marketing Initiative Plan was developed to serve as a guide for the implementation of a proposed program to improve the competitiveness of the forest products industry in domestic and world markets. The plan provides specific details as to how the program would work. Briefly stated, most of the funding for the initiative would be used for special projects that most effectively meets the program objectives. Proposals could be submitted by any interested group through their State Forester's office. The proposals would be evaluated and ranked by a review team consisting of State, Federal and industry representatives in each of the three geographic regions of the country (North - 20 States; South - 13 States; West - 17 States). Regional Foresters, Area Directors and representatives from the National Association of State Foresters Executive Committee would provide oversight responsibilities in the selection process. Once a project was approved, funds would be distributed using normal cooperative funding procedures for cost-share programs.

10. Question: How much money would be necessary to adequately fund such a program? Would project selection be competitive, or would funds be distributed to the States by a formula?

    Answer: The National Marketing Initiative Plan was developed at the direction of Congress after the National Association of State Foresters had proposed that $5 million be spent annually for five years on such an endeavor. While that amount could be used if offset by reductions in other Federal programs, the plan is flexible enough to deal with lesser or greater amounts of funding. The plan was not completed and delivered to Congress until after the FY 1988 Budget had already been submitted. However, the Administration was aware of the general concept and did not include any funding for the initiative in the budget.

    Project selection would be regionally competitive with each geographic region receiving approximately one-third of the available funds. The regional distribution of funds was determined by considering the following factors:

    - total forest area
    - total timber volume
    - total timber removals
    - value added due to manufacturing
    - number of State specialists available to deliver program
    - total population

We often hear that a program like this benefits the States, and benefits the timber producers and manufacturers; and therefore the Federal Government should not fund such a program.

11. Question: How would you respond to that comment? Would each State be required to match Federal money with State and private money?

    Answer: One of the objectives of the program is to improve overall economic conditions and create jobs. The program would also expand market opportunities for forest products and related service industries. These industry groups consist of many small to medium sized companies that need assistance to effectively compete with Canadian and other international producers in world markets. In the Agricultural sector of the economy, it is common to finance such research and promotion activities through industry "checkoffs" and other self-imposed assessments, rather than use Federal funding.

    As set out in the Marketing Initiative Plan, funds for the marketing initiative would be distributed to States using the same rules that apply to other programs authorized by the Cooperative Forestry Assistance Act of 1978. This law requires that Federal funds be matched by recipient States.

12. Question: What are the current barriers to increased export of U.S. forest products? Is it our prices, or is it unfair trade practices adopted by other countries, or is it the lack of information and marketing skills of our companies?

    Answer: All three factors contribute to the current barriers in exporting U.S. forest products. The factors are interrelated to a degree that is not well understood. The Administration's budget has a special research initiative in international trade in timber and wood products to get a better analytical basis for dealing with this question.

13. Question: In preparing your plan, did you work with the West Virginia State Forester, and do you have some examples of specific West Virginia projects that could potentially be funded?

    Answer: All State Foresters contributed to the National Marketing Initiative Plan, including the State Forester of West Virginia. Three projects were proposed by West Virginia. Two projects proposed by West Virginia involved the development of new markets for Yellow-poplar, an under-utilized species in that State, and one proposal to study the transportation and materials handling problems in the State.

NATIONAL FOREST SYSTEM

MONONGAHELA NATIONAL FOREST

In the Forest Service's major operating account, the 1988 budget request is for $1,016,417,000, a decrease of $141,877,000 (-12%). This includes a reduction of $52,000,000 proposed for the recreation program, to be offset by new entrance and user fees on National Forests, if Congress enacts new authority to collect those fees.

Chief Robertson, the Monongahela National Forest has recently completed its new management plan. I am told that the Monongahela plan is often used as an excellent example of how the Forest Service should involve the public in its planning process, and I want to compliment you for earning those comments.

I am told that the average annual cost to implement the 10 year plan on the Monongahela will be between $9 and $11 million for operation, maintenance and construction.

14. Question: Is that accurate? How does that compare to the current rate of spending at the Monongahela? Is that increase consistent across the country?

    Answer: Yes, that is accurate. The estimated average annual cost to implement the 10-year plan is approximately $10.3 million. The Monongahela's FY 1987 budget is $6.2 million, excluding flood repair projects, the same as FY 1986. Although all the plans are not finalized, it appears that this is an average rate for comparable forests.

15. Question: If we were to ask how much it would cost to begin to implement the first year of the plan, what would it cost on the Monongahela?

    Answer: The actual first year of the 10-year plan period was FY 1986. The cost the first year to implement the Monongahela Forest Plan was $9.5 million. The actual budget for the Monongahela in FY 1986 was $6.2 million, excluding flood repair projects.

We are receiving request from members of the public urging full funding for these new plans. The Forest Service and the public have invested many hours in setting future direction for the forests.

16. Question: If the average cost to implement plans will be an increase of about 20% over current costs, why is the fiscal 1988 funding request for management of the National Forests reduced by 12%?

    Answer: Forest plans are 10-year direction documents, and are implemented over the entire planning period (10-15 years). Activities and projects that cannot be implemented as scheduled in the plan, due to budget constraints or regional and national priorities, are delayed and rescheduled until a later time in the planning period.

TRAIL MAINTENANCE

Nationally, trail maintenance is proposed for a reduction of $426,000 (-4%) from the 1988 base level.

17. Question: How will that affect the amount provided for trail maintenance programs on the Monongahela National Forest?

Answer: Increases or decreases in budget levels are not allocated to a region or forest on a straight proration based on the previous years budget. Each forest funding request must be reviewed in light of regional and national priorities. In the case of the Monongahela National Forest, it is estimated that trail maintenance funding would decrease by approximately 10 percent.

According to the new Monongahela National Forest management plan, annual trail maintenance expenditures need to increase about 5 times over current levels (from $38,000 to $196,000).

18. Question: When will we begin to see those increases budgeted?

Answer: The new Monongahela National Forest plan displays the total needs of the forest for trail maintenance. These needs are reflected in the national budget request to the extent that they can be met within numerous constraints of the national budget, the most significant of which is the effort to control the deficit. With an increase in trail maintenance funding from FY 1986 to FY 1987 of $1,463,000 and an increase proposed from FY 1987 to FY 1988 of $526,000, some of these trail needs have already been, or are scheduled, to be funded.

19. Question: Would you provide, for the record, a comparison of trail maintenance needs, and budgeted amounts, for all National Forests?

Answer: The 1985 RPA Program is the best summary of our total trail maintenance needs. It should be recognized, however, that when the RPA Program was put together, there were still quite a few forest plans that had not been completed. The RPA High Bound Program for FY 1988 included $13.8 million for trail maintenance, the RPA Low Bound included $12.2 million. In addition, the RPA Program includes a trail initiative of $100 million spread over a 12 year period to rehabilitate trails that have been lost as a result of deferring annual maintenance. The RPA High Bound for the initiative started in 1986 and the Low Bound started in 1990. Actual appropriations for trail maintenance in FY 1986 and FY 1987, were $9.5 and $11.0 million respectively.

COOPERATIVE LAW ENFORCEMENT

Law enforcement, including drug enforcement programs, is another issue we are hearing a lot about. Your cooperative law enforcement program provides money to reimburse local law enforcement agencies for expenses incurred with protecting the public and their property on National Forests. The budget proposes a reduction of $1,004,000 (or -15%) from the fiscal 1988 base level.

20. Question: How many local agencies will not be reimbursed as a result? Will West Virginia Agencies be affected?

Answer: A large number of operating plans would not be funded in FY 1988 and the operating plans that are funded, will receive less. For example, currently on the Monongahela National Forest there are five cooperative law enforcement agreements in:

Randolph County	$2,904.00
Pocahontas County	2,304.00
Greenbrier County	3,969.00
Pendleton County	4,000.00
Tucker County	2,150.00
Total	$15,327.00

It is estimated that with the proposed funding level, the Monongahela would fund only the first four counties at $1,250.00 each.

Existing agreements will remain in effect, however, operating plan budgets in the agreements would be funded by Regions for only those public use areas with the highest use and need for additional protection.

21. Question: Can you provide for the record an analysis of the impact on local law enforcement agencies by State?

Answer: Cooperating agencies are reimbursed according to an agreed upon operating plan at the beginning of each field season. Cooperators are reimbursed based on the operating plan for extraordinary work accomplished on the National Forest. If annual funds appear to be limited, then pre-season operating plan agreements are also limited, therefore, no cooperator would be asked to do any extraordinary work on the Forest beyond the available funding level.

The 1988 President's Budget is $5,696,000, of which $3,207,000 is allocated for the National Forest Service Drug Control Program. The balance remaining for the cooperative law enforcement program will be $2,489,000. Of this, $2,000,000 is specified to be reimbursed to State and local agencies involved in cannabis eradication, leaving $489,000 for the regular cooperative law enforcement program involving the protection and safety of visitors and their property.

The information currently available in the Washington Office is by Forest Service Region. We will provide this information, by State, in mid-June. The following chart reflects the anticipated impact based on the FY 1987 final allocation and the FY 1988 tentative allocation to the Regions:

	1987 1/		1988	
	Visitor Protection	Cannabis	Visitor Protection	Cannabis
Region 1	$ 277,000	$ 70,000	$ 30,000	$ 61,000
Region 2	280,000	10,000	30,000	9,000
Region 3	595,000	160,000	65,000	139,000
Region 4	410,000	75,000	50,000	65,000
Region 5	839,000	900,000	90,000	781,000
Region 6	608,000	375,000	76,000	325,000
Region 8	502,000	757,000	80,000	499,000
Region 9	520,000	140,000	60,000	121,000
Region 10	48,000	0	8,000	0
Total	$4,079,000	$2,487,000	$489,000	$2,000,000

1/ Does not include administrative costs.

The number of agencies reimbursed varies from year to year within each Forest and State, depending on the greatest need. Generally, a cooperative agreement is signed by all counties which have a significant amount of Forest Service land and visitor use.

In 1987, under the visitor protection category, we are funding 451 counties for extraordinary work. The FY 1988 funding proposal would fund approximately 20 counties. Agreements would be limited to those areas of highest visitor use. Forest Service officers would be expected to perform more visitor contacts without the assistance of county officers.

Cannabis eradication agreements would be maintained close to previous levels. This program reimburses State or county agencies which cooperate with the Forest Service in the detection and eradication of cannabis (marijuana) and other controlled substances. These agreements have remained relatively static since FY 1985.

In addition to the Cooperative Law Enforcement program, the Forest Service has other law enforcement funding.

22. Question: Can you tell us how you distribute that money across the National Forest System?

Answer: The law enforcement program is multi-financed from all of the benefiting functions. The functions are generally timber, recreation, lands, engineering, minerals, and wildlife. Each Forest decides what functions will mostly benefit or need the most law enforcement emphasis in a given area.

23. Question: Would you provide, for the record, a comparison of crime rates, visitation, acres, and law enforcement funding, by State and forest?

Answer: At this time, the information available in the Washington Office is only available by Region. We will provide the data, by State, in mid-June. The FY 1986 information by Region is as follows:

	1986 Violations	Visitor Days	Acreage	Forest Service* funded Law Enforcement Operations
Region 1	4,935	12,143,900	24,052,082	$ 2,455,000
Region 2	4,200	3,673,200	19,933,836	955,000
Region 3	7,530	17,238,606	20,409,197	855,000
Region 4	3,548	26,303,000	31,105,730	925,000
Region 5	50,100	54,994,200	19,855,649	6,000,000
Region 6	14,609	33,750,000	25,561,962	2,312,920
Region 8	11,109	23,212,000	12,639,097	2,500,000
Region 9	2,854	19,267,000	11,624,803	490,000
Region 10	452	3,584,600	22,811,098	400,000
Total	99,337	194,166,506	187,993,454	$16,892,920

*Represents work performed by Forest Service personnel.

Violations include reported incidences of felonies and misdemeanors investigated by the Forest Service investigators and offices. This does not include violations associated with cannabis eradication. In 1986, over $500,000 in fines, recoveries, and restitutions were collected.

Also, I understand that Mr. Dunlop is a strong supporter of the program targeted at halting marijuana cultivation on forest lands.

24. Question: Would you provide an analysis, for the record, of drug related law enforcement costs and how the current program compares to rising law enforcement problems?

Answer: The law enforcement drug control effort on National Forest System lands began in 1981 as a cooperative program involving State and local agencies, the Drug Enforcement Administration and the Forest Service.

The cooperative agreement program funds local agencies for public safety and cannabis eradication. While these agencies have been able to provide manpower for planned eradication operations of short duration, they have normally been unable to conduct long term surveillance and investigation operations. Despite extensive efforts by State and local law enforcement agencies supported by the Forest Service cooperative law enforcement program funding, the estimated number of reported cannabis cultivation sites on National Forest System lands increased from 3,600 in 1981 to 7,900 in 1986.

Ninety-two dangerous booby trap devices were discovered on National Forest System lands at cultivation sites in 1986. None were reported in 1981.

Since 1981, the Forest Service has increased the use of its special agents and law enforcement officers to conduct cannabis detection and eradication operations independently and in support of State and local agency efforts. Direct Forest Service efforts were needed because of our woodland expertise, knowledge of forest areas and because Forest Service enforcement resources were, in most cases, more readily available than State and local resources.

In FY 1981, the Forest Service salary and support costs for cannabis eradication and detection were $200,000. This increased to $1,320,000 in FY 1986.

The percentage of Forest Service effort rose from 16 percent of the total effort by all agencies involved in cannabis control on National Forest System lands in 1981, to 32 percent in 1986, while State and local efforts decreased from 77 percent in 1981, to 62 percent in 1986. During this period, the percentage of cannabis cultivation sites eradicated rose from 6 percent of the total sites existing on National Forest System lands in 1981, to 39 percent in 1986.

With increased Forest Service effort in support of the National Forest Drug Control Act of 1986, combined with cooperating agency efforts, cannabis cultivation on National Forest System lands can be substantially reduced in the next 5 years.

CONSTRUCTION

In the Construction program, the fiscal 1988 budget request is for $221,543,000, a reduction of $40,193,000 (or -15%) from 1987 appropriations to date. The Committee also has a fiscal year 1987 supplemental budget request pending before us for $9,915,000 to continue highway construction at the Mount St. Helens National Volcanic Monument in Washington.

Trail construction is budgeted, nationally, at $7,024,000, down $277,000 (-4%) from 1987 appropriations to date.

25. Question: Can you tell me how much of the fiscal 1988 amount will be used on the Monongahela?

    Answer: The Monongahela will receive approximately $101,000 of the trail construction appropriation for FY 1988.

26. Question: By my calculation, the Monongahela National Forest plan identifies about $1.4 million of trail and footbridge construction and rehabilitation needs over the ten year period covered by the plan. Would you provide, for the record, an analysis of the year by year rate that we should fund those trail improvements?

    Answer: We are unable to provide the year by year analysis of the funding level for the Monongahela National Forest trail construction program. The allocation to any forest must be made in light of the funding received in the appropriation and the priorities of that forest's projects versus other regional and national priorities. FY 1988 trail construction on the Monongahela is a good example of that process. Trail construction funds received were considerably higher than those received by other forests, because the priority projects within the region were on the Monongahela National Forest.

LAND ACQUISITION

I would like to ask Mr. Dunlop a few questions about your overall philosophy regarding land acquisition issues.

27. Question: As a general rule, do third-party organizations contact you, or Forest Service staff, when they begin efforts to secure options?

    Answer: Yes, as a general rule third party organizations contact Forest Service staff before they begin efforts to secure options to purchase land.

28. Question: Have you provided them with a list of priorities for them to work on?

    Answer: No, we have not provided them with a list of priorities to work on. We have, on occasion, asked for their assistance to acquire a specific tract when we were unable to move quickly enough.

29. Question: Are you willing to cooperate with the Congress, and third-party organizations, in developing good information for projects we may be considering?

    Answer: Yes, we are willing to cooperate with all interested parties in the development of information for land acquisition priorities.

30. Question: Do you have a land acquisition priority list that you want Congress to consider when reviewing potential projects?

Answer: At the present time, we do not have a prioritized list of land purchases proposed by the Forest Service. We have prioritized a list of tracts being considered by Congress. This list was developed to aid us in responding to Congressional inquiries.

I have a letter dated February 12, 1987, from Mr. Dunlop to the Trust for Public Lands (TPL), Mr. Marty Rosen, discussing the future relationship between the TPL and the Forest Service. TPL holds the option on the Shaver's Fork tract in the Monongahela National Forest. I understand that you feel that TPL is unduly influencing the land acquisition priorities of the Forest Service.

31. Question: Ultimately, Mr. Dunlop, who sets the Forest Service acquisition priorities?

Answer: Normally, Forest Service acquisition priorities are determined from forest land management plans. However, in 1981, a moratorium on land purchases in the National Forests was established. Since then, in an effort to reduce Federal spending, the Forest Service has not planned a purchase program nor have funds for a purchase program been included in subsequent President's Budget. Ultimately, Congress determines acquisition priorities through the appropriations process.

32. Question: Why do you think that the Forest priorities are not being set appropriately?

Answer: As previously stated, in an effort to reduce Federal spending the Forest Service has not been recommending a purchase program. Nevertheless, Conservation Groups and others have testified before the Congress in favor of purchasing a number of specific tracts or purchasing in specific areas. This testimony has led to appropriated amounts ranging from $30 to $50 million annually which are out of balance with acquisition priorities in forest land management plans. This has resulted in a list of proposed purchases developed by Congress different from a list being considered by the Forest Service.

For example, Little Cottonwood Canyon in the Wasatch National Forest in Utah, and the Columbia River Gorge project in Oregon and Washington are both singled out in your letter as examples of "unacceptable" purchases. Yet, they have been authorized by Congress, and funds have been appropriated, as requested by the Congressional delegation from those States.

33. Question: What basis do you have for concluding that they are not high priority projects?

Answer: In both cases, fee ownership is not needed to protect the public interest, an easement to control development is all that is needed.

34. Question: While they may not meet your priorities, as long as Congress provides the money and the direction, will you faithfully execute the law and acquire these priorities?

Answer: Yes. The Forest Service is proceeding with all of the individual acquisitions directed by Congress in the 1987 Appropriations Act.

Philosophically, I understand that you do not feel that further land acquisition is desirable in many instances. I also understand, and agree, that land exchanges, or donations, or easement, or other techniques may save money.

35. Question: I am told that TPL always conveys property to the government at or below fair market value, as determined by the Forest Service appraisal staff. Is that correct?

Answer: Yes, that is correct.

The administration has deferred $27,070,000 in land acquisition money and has proposed to transfer that money to other Forest Service accounts to cover 1987 pay and retirement cost increases. $531,000 of unobligated funds provided for land acquisition in the Spruce Knob-Seneca Rocks National Recreation Area are included in the deferred funds.

36. Question: If Congress does not agree to fund the pay and retirement cost increases by transfer from unobligated land acquisition funds, can I have your assurance that the Forest Service will proceed promptly to acquire the lands identified by Congress?

Answer: Yes, once the funds have been released, the Forest Service will proceed with the acquisitions directed by Congress. In those project areas where individual tracts were not identified, we will continue to concentrate on acquisitions by land exchange, rather than by purchase.

37. Question: Will the Congress have to overturn the deferral in the 1987 supplemental in order to ensure obligation of the land acquisition funds in a timely manner?

Answer: Yes, a deferral action lasts unless the Congress takes specific action on it. If the deferral is overturned in the 1987 Supplemental Appropriations Bill, land acquisition funds would be obligated in a timely manner.

OFFICIAL RECEPTIONS AND REPRESENTATION EXPENSES

38. Question: Other Agencies have authority to spend small amounts of appropriated funds for official reception and representation expenses. Would such authority be of benefit to the Forest Service and how would you handle it?

Answer: Yes such authority would benefit the Forest Service.

An administrative provision, such as, appropriations to the Forest Service for the current fiscal year shall be available for: "official reception and representation expenses, not to exceed $2,500", would allow the agency to incur limited expenses in connection with official meetings with foreign visitors, international and national natural resource meetings, visits to foreign governments, and other official interactions with representatives from various organizations with an interest in natural resources. The funds would be used for official events such as tea and coffee receptions, small valueless gifts such as plaques and memorabilia, and out of pocket expenses which are customarily paid for by the hosting unit.

At the current time officials are paying for these kinds of items out of personal funds even though they are for official government purposes.

The Forest Service annually visits about 60-70 different countries and about 100 different groups of foreign visitors meet in this country per year. In addition, there are numerous official national meetings involving private industry, universities, cooperators, and local governments.

Some examples of past events are:

Chief chaired the North American Forestry Commission
Chief chaired the Committee on Forestry held in Rome
German Foresters Association Annual Meeting
Royal Academy of Agriculture and Forestry in Sweden
The World Forestry Congress
Official visits with Japanese Professional Foresters

In order to simplify the bookkeeping, we would propose to use General Administration (GA) funding in the National Forest System appropriation to cover all such expenses. A separate account would be established and controlled in the Washington Office. No expenses would be incurred without prior Washington Office approval.

If Appropriation Committee oversight is needed, the Forest Service could send a summary of expenditures to the committees every 6 months.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

COMPETITIVE GRANTS

39. Question: Would you describe for us what is happening to the competitive grants program in 1987?

Answer: The 1987 competitive grants program is progressing normally. Proposals have been received and are being reviewed, panel members have been selected and will convene to make their recommendations for funding in June.

40. Question: Would you provide a summary of the 1985, 1986, and 1987 competitive grants programs for the record, including an assessment of the types of grants awarded, a list of applicants by State and by institution; and review of publications cites to date; other thematic analyses summarizing the benefits of the program to date, especially addressing the surpluses intended by the Congress in terms of basic research in forest biology and in terms of harvesting, processing, and utilization research?

Answer: Each year the program has been in existence, the funds made available in the competitive grants program were equally divided between the areas of Harvesting, Processing, and Utilization research; and Forest Biology. Since most of the grants are long term (3 to 5 years), scientific reports on the research accomplishments are not yet available. Following is a summary of the competitive grants program from 1985-1988:

	FY 1985	FY 1986	FY 1987	FY 1988
	(Dollars in millions)			
Budget Authority	$ 7.8	$ 6.5	$ 6.0	-0-
Number of proposals received	476	428	264	
Total funding requested	$124.1	$81.1	$41.0	

Forest Service researchers can compete for these competitive grants along with other researchers. Grants are awarded using the same competitive evaluation process used by the National Science Foundation, which is concerned primarily with the scientific merits of the proposals. Forest Service researchers were the principal investigators on 24 percent of the grants awarded in both FY 1985 and FY 1986. Non-Forest Service researchers are co-investigators on some of the grants awarded to Forest Service researchers and Forest Service researchers service as co-investigators on other grants. The 1987 program has not been completed so this data is not available at this time.

At the present time, $4.5 million of the $6.0 million appropriated is available for grants. The remaining $1.5 million is proposed to be used to cover Federal pay and retirement costs.

Two sets of more detailed information on the 1985 and 1986 programs are provided. One set is arranged by State, giving the number of proposals submitted, the number awarded, and the total amount; and the other set is by Grantee, giving the project title, organization, amount, duration, and research area.

FORESTRY COMPETITIVE RESEARCH GRANTS PROGRAM

	1985			1986			Total $
State	Submitted	Awarded	$Amount	Submitted	Awarded	$Amount	'85-'86
AK	6	1	120,108	5	0	--	120,108
AL	5	0	--	10	2	259,000	259,000
AR	6	0	--	2	1	51,000	51,000
AZ	7	1	85,258	7	1	130,000	215,258
CA	38	5	672,465	35	6	652,000	1,324,465
CO	15	1	187,180	12	3	263,000	450,180
CT	5	1	176,217	4	0	--	176,217
DE	1	0	--	0	0	--	--
FL	8	0	--	7	1	127,000	127,000
GA	13	2	225,283	7	1	150,000	375,283
HI	3	0	--	3	0	--	--
IA	3	0	--	3	0	--	--
ID	12	0	--	6	0	--	--

FORESTRY COMPETITIVE RESEARCH GRANTS PROGRAM

	1985			1986			Total $
State :	Submitted	Awarded	$Amount :	Submitted	Awarded	$Amount :	'85-'86
IL	13	0	--	8	1	91,000	91,000
IN	9	1	122,015	16	0	--	122,015
KS	3	0	--	2	0	--	--
KY	5	1	181,949	4	1	126,000	307,949
LA	13	3	482,304	10	1	109,000	591,304
MA	4	1	125,394	3	1	80,900	206,294
MD	3	1	147,663	2	0	--	147,663
ME	4	3	460,801	4	0	--	460,801
MI	17	4	540,119	16	2	166,000	706,119
MN	14	2	273,658	13	5	574,000	847,658
MO	7	0	--	3	1	85,000	85,000
MS	21	1	100,826	18	0	--	100,826
MT	14	1	175,000	11	0	--	175,000
NC	16	1	116,500	11	2	210,000	326,500
ND	2	0	--	2	0	--	--
NE	2	0	--	1	0	--	--
NH	5	0	--	5	1	109,000	109,000
NJ	0	0	--	2	0	--	--
NM	2	0	--	0	0	--	--
NV	6	0	--	2	0	--	--
NY	15	1	132,479	19	3	245,423	377,902
OH	7	0	--	9	2	238,100	238,100
OK	3	0	--	4	0	--	--
OR	27	4	624,176	29	4	444,227	1,068,403
PA	8	1	165,000	7	3	239,000	404,000
PR	1	0	--	1	0	--	--
RI	0	0	--	0	0	--	--
SC	8	1	187,000	5	0	--	187,000
SD	2	0	--	1	0	--	--
TN	4	0	--	4	0	--	--
TX	20	1	150,000	18	1	50,000	200,000
UT	9	1	140,234	2	1	85,000	225,234
VA	16	3	360,393	17	4	295,000	655,393
VT	2	0	--	5	1	160,000	160,000
WA	20	4	514,060	23	5	332,000	846,060
WI	42	8	1,055,680	40	9	896,000	1,951,680
WV	9	0	--	9	0	--	--
WY	1	0	--	2	0	--	--

1985

USDA-Forestry Competitive Research Grants Program
SUCCESSFUL PROPOSALS

Grantee & Project Title	Organization	Amount & Duration	Area
R. L. Barger "Characterizing North American Lodgepole Pine as Industrial Raw Material"	USDA-Forest Service Intermountain Sta. Missoula, MT	$175,000 3 years	1.2
F. C. Beall "Analysis of Glueline Curing Using Ultrasonic Techniques"	Weyerhaeuser Co. Tacoma, WA	$125,700 4 years	1.2
D. A. Bender "Statistical Characterization of Lumber for Glued-Laminated Beams"	Texas A & M College Station, TX	$150,000 3 years	1.3

M. D. Bentley "Birchbark as a Source of Semisynthetic Antifeedants for Agicultural Insect Contol"	Univ. Maine Orono, ME	$146,246 2 years	1.1
A. M. Berry "Cytology and Physiology of Early Nodulation Events in the *Frankia-Alunus* Symbiosis"	Univ.of California Davis, CA	$174,753 3 years	2.2
B. T. Borman "Soil Development and Decomposition: Effects on Forest Productivity in S. E. Alaska"	USDA-FS/Pacific Northwest Station Juneau, AK	$120,108 3 years	2.2
W. A. Cote "The Initaiation and Propagation of Failure in Wood"	SUNY Syracuse, NY	$132,479 3 years	1.2
R. S. Dodd "Biological Mechanisms of Pattern Variation in Wood Structures in Douglas-fir"	Univ. of California Berkeley, CA	$129,456 4 years	1.2
D. W. Fulbright "Hypovirulence: A Mechanism to Regulate *Endothia parasitica* in the Forest Ecosystem"	Michigan State Univ. East Lansing, MI	$175,000 3 years	2.2
C. C. Gerhards "Effects of Temperature and Relative Humidity on Duration of Load of Lumber"	USDA-Forest Service Forest Products Lab Madison, WI	$160,000 4 years	1.2
B. S. Goodell "Enzymatic Wood Degradation by Hymenomycetous Decay Fungi"	Univ. of Maine Orono, ME	$182,830 3 years	1.1
W. P. Gordon "Genetic Engineering of Poplars"	Univ. of Washington Seattle, WA	$230,338 2 years	2.1
M. S. Greenwood "Gene Expression During Maturation in Conifers"	Univ. of Maine Orono, ME	$131,725 2 years	2.1
W. P. Hackett "Selection of Somaclonal Variants for Resistance to *Septoria musiva* in *Populus*"	Univ. of Minnesota St. Paul, MN	$141,738 3 years	2.1
J. W. Hanover "Genetic Structure and Adaptation of Natural Populations of Spruce"	Michigan State Univ. East Lansing, MI	$161,136 3 years	2.1
J. G. Haygreen "Rheology, Drying, and Biodegradation of Compacted Wood Chip Fuels"	Univ. of Minnesota St. Paul, MN	$131,920 4 years	1.2

R. W. Hemingway "Condensed Tannins as Substitutes for Resorcinal in Cold Setting Phenolic Resins"	USDA-Forest Service Southern Station Pineville, LA	$177,909 3 years	1.1
C. G. Hill, Jr. "Saccharification Rates Vary With Cellulosic Substrates. Can they be Predicted?	Univ. of Wisconsin Madison, WI	$175,000 4 years	1.1
N. W. Y. Ho "Development of Technology for the Efficient Utilization of Xylose"	Purdue Univ. West Lafayette, IN	$122,015 3 years	1.1
J. D. Hodges "Southern Pine Beetle Microorganism-Host Interactions: Role of Fungi in Host Morality"	Miss. State Univ. Miss. State, MS	$100,826 2 years	2.2
D. D. Book "Intraspecific Variation and Physiology of Two Tree Species to Water-logged Soils"	Clemson University Clemson, SC	$187,000 3 years	2.2
R. A. Horn "Optimizing Design of Linerboard for Greater Compressive Strength by Press Drying"	USDA-Forest Service Forest Product Lab Madison, WI	$46,280 4 years	1.2
P. E. Humphrey "Pressing Wood Based Composites: Modeling to Optimize Design and Manufacture"	Oregon State Univ. Corvallis, OR	$141,871 3 years	1.2
F. A. Kamke "Viscoelastic Behavior of Wood Adhesive System During Flakeboard Manufacture"	VPI Blacksburg, VA	$100,121 2 years	1.2
J. J. Karchesy "Structures and Reaction of Polymeric Flavanoids from the Whole Bark of Douglas-fir"	Oregon State Corvallis, OR	$153,583 3 years	1.1
D. F. Karnosky "Genetic Engineering Studies with *Larix* and and *Pinus*"	Michigan Tech. Univ. Houghton, MI	$82,327 2 years	2.1
P. E. Laks "Copper Containing Wood Preservatives from Conifer Bark Tannins"	Michigan Tech. Univ. Houghton, MI	$121,656 3 years	1.1
F. T. Ledig "A Workshop in Forest Biotechnology"	USDA-FS/Pacific Southwest Station Berkeley, CA	$44,098 3 months	2.1
N. G. Lewis "The Structure and Bioconversion of Lignin in Intact Plants"	VPI Blacksburg, VA	$171,308 3 years	1.1

J. N. Long "Ecosystem Development: The Relationship, Between Leaf Area, Structure, and Production"	Utah State Univ. Logan, UT	$140,234 3 years	2.2
M. C. Ma "In vitro and In vivo Studies of Gypsy Moth Nuclear Polyhedrosis virus with Hybridoma Antibodies"	Univ. of Maryland College Park, MD	$147,663 3 years	2.2
W. T. McKearn "Pulping Chemicals Transport"	Univ. Washington Seattle, WA	$58,022 2 years	1.1
J. E. McLain "Prediction of Failure Stress in Notched Wood Beams"	VPI Blacksburg, VA	$88,964 3 years	1.3
C. W. McMillin "A Computer Vision System for Non-Destructively Locating Defects in Lumber"	USDA-Forest Service Southern Station Pineville, LA	$127,616 3 years	1.2
R. O. Morris "Developing a Method for Gene Insertion in Gymnosperms"	Oregon State Univ. Corvallis, OR	$189.774 3 years	2.1
G. E. Myers "Resin Curing and Bonding in Flakeboard Made by Steam Injection Pressing"	USDA-Forest Service Forest Product Lab. Madison, WI	$186,416 4 years	1.2
G. Namkoong "Genetic Analysis of Forest Ecosystems"	USDA-FS/Southeastern Station Raliegh, NC	$116,500 3 years	2.2
M. Newton "Competitive Inter--tion Among Western Hemlock, Red Alder, and Riparian Salmonberry"	Oregon State Univ. Corvallis, OR	$138,948 4 years	2.2
H. R. Powers "Biotechnology Studies on Pathotypes of the Fusiform Rust Fungus"	USDA-FS Southeasten Sta. Athens, GA	$131,327 2 years	2.2
C. P. P. Reid "Carbon Use in Mycorrhizae Symbiosis: Carbon Allocation/Phosphorus Nutrition in Pine"	Colorado State Univ. Fort Collins, CO	$187,180 3 years	2.2
R. E. Rowlands "Strength Behavior of Bolted Wood Connections"	Univ. Wisconsin Madison, WI	$175,000 3 years	1.3
K. V. Sarkanen "Characterizing and Modification of Native and Isolated Lignins"	Univ. Washington Seattle, WA	$100,000 3 years	1.1
R. R. Sederoff "A DNA Transfer System for Pine"	USDA-FS/Pacific Southwest Station Berkeley, CA	$184,050 3 years	2.1

L. Shain "Mechanisms of Host-pathogen Interaction between *Castanea*, *Quercus* and *Endothia parasitica*"	Univ. of Kentucky Lexington, KY	$181,949 3 years	2.2
H. E. Sommer "Cloning of Forest Trees by Somatic Embryogenesis"	Univ. of Georgia Athens, GA	$93,956 2 years	2.1
F. W. Telewski "Response of *Pinus taeda* Ecotypes to Wind and Drought: Implication for Early Genetic Evaluation"	Univ. of Arizona Tucson, AZ	$85,258 2 years	2.2
Anton TenWolde "Effect of Controlling Attic Humidity on Wood Products Performance in Roof Systems"	USDA-Forest Service Forest Products Lab Madison, WI	$25,000 2 years	1.3
ing Tien Selection of Lignin Degrading Mutants of *Phanerochaete chrysosporium*"	Pennsylvania State Univ., University Park, PA	$165,000 3 years	1.1
J. G. Torrey "Cell-walled Degrading Enzymes in Early Infection in Symbiotic Nitrogen-fixing Trees"	Harvard University Petersham, MA	$125,394 2 years	2.1
T. J. Urbanik "Computer Aided Design of Unitized Corrugated Containers for the Shipping Environment"	USDA-Forest Service Forest Product Lab Madison, WI	$112,984 4 years	1.3
D. B. Wagner "Genetic Interactions Between Chloroplast and Nuclear Genomes in a Hybrid Zone"	Univ. of California Davis, CA	$140,108 3 years	2.1
P. M. Wargo "Interaction of *Armillaria*, Stess and Site Disturbance in Mortality of Diciduous Trees"	USDA-FS/Northeastern Station Hamden, CT	$176,217 3 years	2.2
G. B. Williamson "Mechanisms of Allelopathy in Pine Forest of the Southeastern Coastal Plain"	Louisiana State Univ. Baton Rouge, LA	$176,779 3 years	2.2
R. A. Young "Chemical Fractionation of Wood to Polymers and Fibers by Solvent and Derivative Techniques"	Univ. Wisconsin Madison, WI	$175,000 4 years	1.1

* Areas of Reseach:
1.0 General Area of: Improved Utilization of Wood and Wood Fiber
1.1 Wood Chemistry and Biochemistry
1.2 Physical/Mechanical Properties of Wood, and Basic Processing Technology
1.3 Structural Wood Engineering

2.0 General Area of: Forestry Biology (Including Biotechnolgy)
2.1 Genetic Structure and Function
2.2 Mechanisms of Interaction in Forest Systems

1986

USDA FORESTRY COMPETITIVE RESEARCH GRANTS PROGRAM

PROPOSALS FUNDED FY-1986

Grantee & Project Title	Organization	Amount & Duration	Area
John H. Bassman "Physiological mechanisms of defoliation-induced compensatory growth in *Populus*"	Washington State U., Pullman, WA	$30,000 30 months	Forest Biology
Jozsef Bodig "Accelerated testing for mechanical joints of wood composites"	Colorado State U., Fort Collins, CO	$60,000 — 24 months	Wood Utilization
Roland G. Buchman "Impact of self-thinning dynamics on stand, stand component, & individual tree temporal development"	USDA-Forest Service North Central Station, St. Paul, MN	$77,000 24 months	Forest Biology
Clinton E. Carlson "Mechanisms affecting success of western spruce budworm on inland Douglas-fir"	USDA-Forest Service, Intermountain Station, Missoula, MT	$85,000 36 months	Forest Biology
Chen-Loung Chen "Chemical modification of technical lignins and their physical properties"	North Carolina State, Raleigh, NC	$120,000 - 36 months	Wood Utilization
Chris A. Cullis "Characterization of the natural variability in *Pinus radiata* DNA"	Case Western Reserve U., Cleveland, OH	$150,000 36 months	Forest Biology
Jeffrey Dawson "Factors regulating black walnut growth in mixed planting with nitrogen fixers"	U. of Illinois, Urbana, IL	$91,000 36 months	Forest Biology
Rodney C. DeGroot "Acousto-ultrasonics, a new technology for nondestructive detection of brown rot"	USDA-Forest Service, Forest Products Lab, Madison, WI	$83,000 — 36 months	Wood Utilization
Richard E. Dickson "Carbon partitioning in northern red oak: A key to control of early growth and development"	USDA-Forest Service, North Central Station, St. Paul, MN	$150,000 36 months	Forest Biology

Grantee & Project Title	Organization	Amount & Duration	Area
David A. Dornfeld "Manufacturing process monitoring and analysis using acoustic emission"	U. of California, Berkeley, CA	$60,000 36 months	Wood Utilization
Patrick Fenn "Microscopy of latency and the host-pathogen interaction of a stress-related pathogen of oaks"	U. of Arkansas, Fayetteville, AR	$51,000 36 months	Forest Biology
James L. Fridley "Improving engineering design in forestry machinery"	Auburn U., Auburn, AL	$127,000 - 36 months	Wood Utilization
Roland O. Gertjejansen "Improved utilization of Lake States hardwoods for structural composite panels"	U. Minnesota, St. Paul, MN	$77,000 36 months	Wood Utilization
Irving S. Goldstein "Process variables & kinetics of hydrolysis of wood cellulose by con. sulfuric acid"	North Carolina State, Raleigh, NC	$90,000 24 months	Wood Utilization
David W. Green "Characterizing the effect of moisture content on the flexural properties of dimension lumber"	USDA - Forest Service, Forest Products Lab, Madison, WI	$56,000 - 30 months	Wood Utilization
David H. Griffin "Canker development in *Populus tremuloides*"	SUNY, Syracuse, NY	$91,000 36 months	Forest Biology
Robert P. Griffiths "Organic nitrogen & phosphorus recycling by Douglas-fir ectomycorrhizal mats"	Oregon State U., Corvallis, OR	$108,000 24 months	Forest Biology
Richard M. Gutkowski "A model for impact behavior of structural timbers"	Colorado State U., Fort Collins, CO	$95,000 - 24 1/2 months	Wood Utilization
Robert B. Hanna "Biological aspects of wood formation in Douglas-fir"	SUNY, Syracuse, NY	598 $71,~~000~~ - 36 months	Wood Utilization
Thomas C. Harrington "Biology & taxonomic concepts of *Armillaria* in spruce-fir forests"	U. of New Hampshire, Durham, NH	$109,000 48 months	Forest Biology
David B. Harry "Alcohol dehydrogenase genes in pines"	USDA-Forest Service, Pacific Southwest, Station, Berkeley, CA	$97,000 36 months	Forest Biology
Bruce R. Hartsough "Investiagion of towed vehicles for cable logging of prebunched timber"	U. of California Davis, CA	$110,000 - 36 months	Wood Utilization
Terry L. Highley "Biochemical agent involved in depolymerization of cellulose by brown-rot fungi"	USDA-Forest Service, Forest Products Lab, Madison, WI	$100,000 - 24 1/2 months	Wood Utilization

Grantee & Project Title	Organization	Amount & Duration	Area
Thomas M. Hinckley "Nutrient stress & carbon allocation"	U. of Washington, Seattle, WA	$66,000 24 months	Forest Biology
Siegfried M. Holzer "Analysis of glued-laminated timber space frames & lattice domes"	VPI, Blacksburg, VA	$90,000 36 months	Wood Utilization
Stephen B. Horsley "Interspecific interference between hayscented fern & black cherry: Lighting & nitrogen effects"	USDA-Forest Service, Northeastern Station, Broomall, PA	$86,000 36 months	Forest Biology
David R. Houston "Genetic mosiacs & their relationship to patterns of susceptibility to insects & diseases"	USDA-Forest Service, Northeastern Station, Broomall, PA	$81,000 36 months	Forest Biology
Rafik Y. Itani "International conference on timber engineering"	Washington State U., Pullman, WA	$11,000 30 1/2 months	Wood Utilization
Wesley M. Jarrell "Ecological adaption of tree rhizobia"	U. of California, Riverside, CA	$144,000 36 months	Forest Biology
Jon D. Johnson "Stress acclimation of photosynthesis in pine"	U. of Florida, Gainesville, FL	$127,000 36 months	Forest Biology
Joseph J. Karchesy "Molecular analysis & design of carbohydrate-phenolic based adhesive polymers"	Oregon State U., Corvallis, OR	$135,000 36 months	Wood Utilization
David G. Kingston "Lignan biosynthesis, enzymology, & bioconversion"	VPI, Blacksburg, VA	$86,000 24 months	Wood Utilization
Bohun B. Kinlock "Model testing genetic interactions in a forest pathosystem: Pine/gall rust"	USDA-Forest Service, Pacific Southwest Station, Berkeley, CA	$81,000 36 months	Forest Biology
T. Kent Kirk "Extracellular lignin-degrading enzyme system of *Phanerochaete Chryosporium*"	USDA-Forest Service, Forest Products Lab, Madison, WI	$86,000 24 months	Wood Utilization
Theordore L. Laufenberg "Structural optimization of wood & composite wood components & systems"	USDA-Forest Service, Forest Products Lab, Madison, WI	$86,000 24 1/2 months	Wood Utilization
Donald L. Mader "Identity & significance of light - and heavy-fraction soil organic matter"	U. of Massachusetts, Amherst, MA	$80,900 24 months	Forest Biology
Thomas E. McLain "Uniaxial & combined load capacity of threaded fastener-wood joints"	VPI, Blacksburg, VA	$65,000 30 months	Wood Utilization
Robert A. Megraw "Potential for genetic improvement of juvenile wood"	Weyerhaeuser Co., Tacoma, WA	$75,000 36 months	Forest Biology

Grantee & Project Title	Organization	Amount & Duration	Area
Lawrence A. Morris "Root competition & nutrient uptake in pine plantations"	U. of Georgia, Athens, GA	$150,000 36 months	Forest Biology
Kenneth W. Mudge "The role of ethylene & auxins in development of ectomycorrhizal symbiosis"	Cornell U., Ithaca, NY	$82,825 36 months	Forest Biology
Stephen G. Pallardy "Mechanisms of drought adaption in seedlings of deciduous hardwoods"	U. of Missouri, Columbia, MO	$85,000 36 months	Forest Biology
Allan F. Preston "Influence of wood-chemical interactions in development of new wood preservatives"	Michigan Tech. U., Houghton, MI	$60,000 12 months	Wood Utilization
David G. Pribnow "Cloning & characterization of ligninase genes from _Phanerochaete_ _chrysosporium_"	Oregon Graduate Center, Beaverton, OR	$152,227 36 1/2 months	Wood Utilization
Eddie W. Price "Resin distribution & horizontal density effects on wood composite durability"	USDA-Forest Service, Southern Station, New Orleans, LA	$109,000 36 months	Wood Utilization
Kenneth F. Raffa "Host properties affecting red pine resistance to root weevils & microbial associates"	U. of Wisconsin, Madison, WI	$100,000 48 months	Forest Biology
Peter B. Reich "Seasonal carbon, water, & nitrogen relations in pine & oak forests"	U. of Wisconsin, Madison, WI	$111,000 36 months	Forest Biology
Robert E. Rowlands "Biaxial strength & failure criteria of wood"	U. of Wisconsin, Madison, WI	$116,000 24 months	Wood Utilization
Simo Sarkanen "Isolation & characterization of kraft lignin components"	U. of Minnesota, St. Paul, MN	155,000 36 months	Wood Utilization
Steven A. Sinclair "A cross-sectional study of the adaption of new wood processing technologies"	VPI, Blacksburg, VA	$54,000 24 1/2 months	Wood Utilization
Phillip Sollins "Species-specific effects of Douglas-fir, western hemlock, & western redcedar on the nitrogen cycle"	Oregon State U., Corvallis, OR	$49,000 24 months	Forest Biology
Douglas G. Sprugel "Tree branches: the link between physiological processes & intraspecific competition"	U. of Washington, Seattle, WA	$150,000 36 months	Forest Biology
Kim C. Steiner "Competition/tolerance responses of northern red oak to weed-induced stresses"	Pennsylvania State U., University Park, PA	$72,000 36 months	Forest Biology

Grantee & Project Title	Organization	Amount & Duration	Area
Harold A. Stewart "High-temperature wear mechanisms of tool materials in wood machining"	USDA-Forest Service, North Central Station, St. Paul, MN	$115,000 30 months	Wood Utilization
Roen C. Tang "Analysis of composite panel behavior under changing environments"	Auburn U., Auburn, AL	$132,000 36 1/2 months	Wood Utilization
Bart A. Thielges "Genetics of host-pathogen interactions in the cottonwood-leaf rust system"	U. of Kentucky, Lexington, KY	$126,000 36 months	Forest Biology
Melvin T. Tyree "Water stress physiology of trees: Cavitation & hydraulic architecture"	U. of Vermont, Burlington, VT	$160,000 48 months	Forest Biology
M. Daniel Vanderbilt "Computer aided design of light-frame structures"	Colorado State U., Fort Collins, CO	$108,000 24 1/2 months	Wood Utilization
Michael R. Wagner "Mechanisms responsible for the effect of ponderosa pine water stress on pine sawflies"	Northern Arizona U., Flagstaff, AZ	$130,000 36 months	Forest Biology
Dan L. Wheat "An improved composite element for analyzing light-frame wood systems above service load levels"	U. of Texas, Austin, TX	$50,000 24 months	Wood Utilization
Frank W. Whitmore "Characterization of gene product associated with embryogenesis in white pine"	Ohio State U., Wooster, OH	88,100 24 months	Forest Biology
Indrek Wichman "Experimental & theoretical studies of wind-aided flame spread on wood"	Michigan State U., East Lansing, MI	$106,000 36 months	Wood Utilization
Ronald W. Wolfe "Reliability of light-frame roof systems"	USDA-Forest Service, Forest Products Lab, Madison, WI	$158,000 36 months	Wood Utilization
Eugene Zavarin "Chemistry of the modification of lignocellulosics by cold plasma"	U. of California, Richmond, CA	$160,000 36 months	Wood Utilization

STATE AND PRIVATE FORESTRY

41. Question: Please provide a complete history and assessment of the contingency or emergency fund approach to funding insect and disease suppression programs.

Answer: For 25 years prior to FY 1976, Congress annually appropriated an average of $1.8 million for emergency insect and disease suppression. This was in addition to base funding for the Forest Pest Management program and anticipated forest pest suppression needs. Between FY 1976 and FY 1980, this emergency appropriation averaged $5.5 million.

From FY 1960 through FY 1979, the appropriation for emergency suppression plus the base appropriation for suppression were adequate to meet high priority pest suppression requests in 13 out of 20 years. In the 7 years when high priority suppression needs exceeded available resources, supplemental appropriations were received on five occasions and the Forest Service reprogrammed from other funds on two occasions.

In FY 1976, Congress appropriated $10 million for emergency suppression to avoid the increasingly frequent need for supplemental appropriations. These funds were in addition to the base appropriation for suppression, and they were appropriated on an "available until expended" basis. The funds were held by the Office of Management and Budget (OMB) and the process to get OMB approval to release needed funds was frequently time-consuming. Annual additions to the emergency appropriation were subsequently reduced, and by FY 1980 the funds were expended.

Since FY 1980, two mechanisms have been authorized for funding forest pest suppression activities: (1) annual appropriations, and (2) the Secretary's permanent authority to declare an emergency and use any funds available within the Department of Agriculture.

Establishing a special pest suppression appropriation or granting broader authority to redirect funds available to the Forest Service might: (1) permit a quicker response to unanticipated infestations and (2) provide for treatment of ongoing outbreaks that substantially escalate in intensity. To be effective, however, funds must be readily available to meet rapidly escalating pest outbreaks.

Options for establishing this authority include:

1. Amend the Cooperative Forestry Assistance Act of 1978 or include in the annual Appropriation Act authority to permit any funds available to the Forest Service to be used for the suppression of forest pests on all lands of the United States as directed by the Chief of the Forest Service.

2. Omit the administrative provision in recent appropriations acts dealing with the Secretary's authority to transfer funds under 7 U.S.C. 147b and section 702(b) of the Department of Agriculture Organic Act (7 U.S.C. 2257).

42. Question: Please provide a list of States and their estimated State forestry budgets; and what percent Forest Service contributions were of the State program, by category for FY 1980-1986; the types of approved forestry practices eligible through the USDA, Agricultural Stabilization and Conservation Service, Agriculture Conservation Program; the status of the development of a state forest resources plan, and the types of forestry programs in place in each State that indicates a State commitment to forest resources, such as the existence of a State reforestation law, etc.

Answer: Tables I-IV display the State Forestry Budgets for the years 1983-1986 as compiled by the National Association of State Foresters. The data for these years is not complete because a few States did not submit the information. This is denoted in the tables with "N/A". Figures were not available for fiscal years 1980-1982. Federal assistance is listed by budget activity for State and Private Forestry showing the percentage of each State's Forestry Budget. The column titled FPM represents Forest Pest Management programs, which includes survey, technical assistance and suppression on cooperative lands. The column titled Fire represents the Fire Protection program. The column titled FM&U represents the Forest Management and Utilization programs, which includes forest resource management, wood utilization, seedlings, nursery and tree improvement, and urban forestry. The column titled Special Projects includes Boundary Waters Canoe Area and Lake Tahoe.

The types of approved forestry practices that are eligible through the USDA, Agricultural Stabilization and Conservation Service, and Agriculture Conservation Programs are forest tree plantations, forest tree stand improvement, and site preparation for natural regeneration.

To date 43 States have completed draft or final plans. Several State plans are excellent and are providing needed direction and priority for State forestry programs as well as increased legislative support and funding. Other plans have provided States with a good start, but need to be improved, particularly in areas of economic analysis, budget linkage, and program justification to strengthen State programs. Table V provides State status for forest resources planning. Table VI summarizes the types of State forestry programs that indicates their commitment to forest resources. This information was compiled by the Agriculture Experiment Station, University of Minnesota, in Station Bulletin AD-SB-3011 entitled "State Forest Practice Regulation in the U.S.: Administration Cost and Accomplishment," 1986.

TABLE I
FISCAL YEAR 1983
(IN THOUSANDS OF DOLLARS)
STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
ALABAMA	11694	341	0.03	301	0.03	410	0.04	0	0.00	1052	0.09
ALASKA	6783	0	0.00	242	0.04	154	0.02	0	0.00	396	0.06
ARIZONA	972	18	0.02	103	0.11	123	0.13	0	0.00	244	0.25
ARKANSAS	9579	66	0.01	279	0.03	285	0.03	0	0.00	630	0.07
CALIFORNIA	176367	80	0.00	783	0.00	200	0.00	0	0.00	1063	0.01
COLORADO	7222	213	0.03	297	0.04	130	0.02	0	0.00	640	0.09
CONNECTICUT	1182	0	0.00	68	0.06	70	0.06	0	0.00	138	0.12
DELAWARE	390	22	0.06	55	0.14	65	0.17	0	0.00	142	0.36
FLORIDA	31122	62	0.00	367	0.01	427	0.01	0	0.00	856	0.03
GEORGIA	25323	192	0.01	357	0.01	398	0.02	0	0.00	947	0.04
GUAM	249	5	0.02	50	0.20	53	0.21	0	0.00	108	0.43
HAWAII	3467	18	0.01	75	0.02	71	0.02	0	0.00	164	0.05
IDAHO	7235	34	0.00	231	0.03	112	0.02	0	0.00	377	0.05
ILLINOIS	2800	0	0.00	114	0.04	119	0.04	0	0.00	233	0.08
INDIANA	4995	31	0.01	76	0.02	139	0.03	0	0.00	246	0.05
IOWA	1986	21	0.01	69	0.03	66	0.03	0	0.00	156	0.08
KANSAS	2615	21	0.01	167	0.06	121	0.05	0	0.00	309	0.12

(IN THOUSANDS OF DOLLARS)
STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET $	FPM $	FPM %	FIRE $	FIRE %	FM&U $	FM&U %	SPECIAL PROJ. $	SPECIAL PROJ. %	TOTAL $	TOTAL %
KENTUCKY	N/A	0	N/A	241	N/A	319	N/A	0	N/A	560	N/A
LOUISIANA	13682	66	0.00	205	0.01	273	0.02	0	0.00	544	0.04
MAINE	9099	79	0.01	252	0.03	145	0.02	0	0.00	476	0.05
MARYLAND	3721	961	0.26	173	0.05	162	0.04	0	0.00	1296	0.35
MASSACHUSETTS	15064	32	0.00	157	0.01	103	0.01	0	0.00	292	0.02
MICHIGAN	12909	69	0.01	324	0.03	195	0.02	0	0.00	588	0.05
MINNESOTA	19398	61	0.00	242	0.01	216	0.01	2997	0.15	3516	0.18
MISSISSIPPI	19144	131	0.01	311	0.02	323	0.02	0	0.00	765	0.04
MISSOURI	6300	51	0.01	288	0.05	259	0.04	0	0.00	598	0.09
MONTANA	6587	38	0.01	270	0.04	134	0.02	0	0.00	442	0.07
NEBRASKA	1805	21	0.01	162	0.09	115	0.06	0	0.00	298	0.17
NEVADA	2807	21	0.01	152	0.05	69	0.02	0	0.00	242	0.09
NEW HAMPSHIRE	1930	36	0.02	112	0.06	126	0.07	0	0.00	274	0.14
NEW JERSEY	3836	723	0.19	201	0.05	117	0.03	0	0.00	1041	0.27
NEW MEXICO	1921	37	0.02	156	0.08	92	0.05	0	0.00	285	0.15
NEW YORK	15212	65	0.00	285	0.02	304	0.02	0	0.00	654	0.04
NORTH CAROLINA	22137	87	0.00	360	0.02	458	0.02	0	0.00	905	0.04
NORTH DAKOTA	1032	18	0.02	67	0.06	67	0.06	0	0.00	152	0.15
OHIO	5867	39	0.01	170	0.03	147	0.03	0	0.00	356	0.06

(IN THOUSANDS OF DOLLARS)

STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
OKLAHOMA	5247	31	0.01	165	0.03	135	0.03	0	0.00	331	0.06
OREGON	24931	290	0.01	367	0.01	210	0.01	0	0.00	867	0.03
PENNSYLVANIA	20736	2498	0.12	332	0.02	255	0.01	0	0.00	3085	0.15
PUERTO RICO	1180	0	0.00	50	0.04	182	0.15	0	0.00	232	0.20
RHODE ISLAND	N/A	97	N/A	56	N/A	54	N/A	0	N/A	207	N/A
SOUTH CAROLINA	10950	206	0.02	324	0.03	298	0.03	0	0.00	828	0.08
SOUTH DAKOTA	1880	19	0.01	229	0.12	94	0.05	0	0.00	342	0.18
TENNESSEE	8910	66	0.01	292	0.03	229	0.03	0	0.00	587	0.07
TEXAS	10639	75	0.01	261	0.02	305	0.03	0	0.00	641	0.06
UTAH	1877	0	0.00	137	0.07	138	0.07	0	0.00	275	0.15
VERMONT	2106	51	0.02	50	0.02	150	0.07	0	0.00	251	0.12
VIRGIN ISLANDS	N/A	0	N/A	26	N/A	27	N/A	0	N/A	53	N/A
VIRGINIA	13230	82	0.01	316	0.02	460	0.03	0	0.00	858	0.06
WASHINGTON	47826	62	0.00	360	0.01	219	0.00	0	0.00	641	0.01
WEST VIRGINIA	2660	155	0.06	179	0.07	140	0.05	0	0.00	474	0.18
WISCONSIN	14637	58	0.00	323	0.02	221	0.02	0	0.00	602	0.04
WYOMING	3584	5	0.00	149	0.04	80	0.02	0	0.00	234	0.07
TOTAL	626825	7354	0.01	11378	0.02	9764	0.02	2997	0.00	31493	0.05

TABLE 11
FISCAL YEAR 1984
(IN THOUSANDS OF DOLLARS)
STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
ALABAMA	13532	343	0.03	287	0.02	155	0.01	0	0.00	785	0.06
ALASKA	12494	0	0.00	198	0.02	60	0.00	0	0.00	258	0.02
ARIZONA	892	16	0.02	69	0.08	93	0.10	0	0.00	178	0.20
ARKANSAS	9900	60	0.01	259	0.03	136	0.01	0	0.00	455	0.05
CALIFORNIA	176367	76	0.00	773	0.00	108	0.00	2178	0.01	3135	0.02
COLORADO	7269	367	0.05	284	0.04	96	0.01	0	0.00	747	0.10
CONNECTICUT	1182	0	0.00	55	0.05	22	0.02	0	0.00	77	0.07
DELAWARE	455	135	0.30	50	0.11	37	0.08	0	0.00	222	0.49
FLORIDA	30221	57	0.00	351	0.01	178	0.01	0	0.00	586	0.02
GEORGIA	25984	146	0.01	333	0.01	225	0.01	0	0.00	704	0.03
GUAM	249	0	0.00	50	0.20	39	0.16	0	0.00	89	0.36
HAWAII	3187	16	0.01	72	0.02	49	0.02	0	0.00	137	0.04
IDAHO	7203	31	0.00	211	0.03	79	0.01	0	0.00	321	0.04
ILLINOIS	3511	12	0.00	110	0.03	81	0.02	0	0.00	203	0.06
INDIANA	3993	33	0.01	71	0.02	82	0.02	0	0.00	186	0.05
IOWA	1796	20	0.01	57	0.03	39	0.02	0	0.00	116	0.06
KANSAS	3642	19	0.01	160	0.04	95	0.03	0	0.00	274	0.08

(IN THOUSANDS OF DOLLARS)

STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
KENTUCKY	7034	50	0.01	231	0.03	123	0.02	0	0.00	404	0.06
LOUISIANA	13918	60	0.00	292	0.02	130	0.01	0	0.00	482	0.03
MAINE	N/A	72	N/A	242	N/A	88	N/A	0	N/A	402	N/A
MARYLAND	3829	618	0.16	154	0.04	101	0.03	0	0.00	873	0.23
MASSACHUSETTS	19623	17	0.00	151	0.01	98	0.00	0	0.00	266	0.01
MICHIGAN	12734	126	0.01	294	0.02	117	0.01	0	0.00	537	0.04
MINNESOTA	19224	62	0.00	223	0.01	107	0.01	3000	0.16	3392	0.18
MISSISSIPPI	20157	63	0.00	298	0.01	146	0.01	0	0.00	507	0.03
MISSOURI	7058	46	0.01	274	0.04	152	0.02	0	0.00	472	0.07
MONTANA	6480	58	0.01	234	0.04	95	0.01	0	0.00	387	0.06
NEBRASKA	1840	19	0.01	155	0.08	86	0.05	0	0.00	260	0.14
NEVADA	5278	16	0.00	127	0.02	48	0.01	327	0.06	518	0.10
NEW HAMPSHIRE	1801	31	0.02	108	0.06	83	0.05	0	0.00	222	0.12
NEW JERSEY	3502	501	0.14	193	0.06	65	0.02	0	0.00	759	0.22
NEW MEXICO	1308	90	0.07	137	0.10	84	0.06	0	0.00	311	0.24
NEW YORK	12740	59	0.00	273	0.02	129	0.01	0	0.00	461	0.04
NORTH CAROLINA	22465	93	0.00	316	0.01	261	0.01	0	0.00	670	0.03
NORTH DAKOTA	1002	16	0.02	64	0.06	51	0.05	0	0.00	131	0.13
OHIO	7135	38	0.01	164	0.02	95	0.01	0	0.00	297	0.04

(IN THOUSANDS OF DOLLARS)
STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
OKLAHOMA	5248	278	0.05	158	0.03	74	0.01	0	0.00	510	0.10
OREGON	29020	54	0.00	316	0.01	145	0.00	0	0.00	515	0.02
PENNSYLVANIA	17787	1674	0.09	300	0.02	137	0.01	0	0.00	2111	0.12
PUERTO RICO	362	0	0.00	50	0.14	59	0.16	0	0.00	109	0.30
RHODE ISLAND	1574	17	0.01	54	0.03	29	0.02	0	0.00	100	0.06
SOUTH CAROLINA	10531	212	0.02	301	0.03	130	0.01	0	0.00	643	0.06
SOUTH DAKOTA	N/A	17	N/A	219	N/A	77	N/A	0	N/A	313	N/A
TENNESSEE	8763	139	0.02	270	0.03	121	0.01	0	0.00	530	0.06
TEXAS	10869	152	0.01	249	0.02	147	0.01	0	0.00	548	0.05
UTAH	1958	0	0.00	115	0.06	103	0.05	0	0.00	218	0.11
VERMONT	2316	28	0.01	50	0.02	65	0.03	0	0.00	143	0.06
VIRGIN ISLANDS	N/A	0	N/A	26	N/A	28	N/A	0	N/A	54	N/A
VIRGINIA	13100	169	0.01	302	0.02	212	0.02	0	0.00	683	0.05
WASHINGTON	49281	307	0.01	319	0.01	142	0.00	0	0.00	768	0.02
WEST VIRGINIA	2731	287	0.11	172	0.06	87	0.03	0	0.00	546	0.20
WISCONSIN	26274	68	0.00	291	0.01	136	0.01	0	0.00	495	0.02
WYOMING	4843	18	0.00	135	0.03	57	0.01	0	0.00	210	0.04
TOTAL	653662	6786	0.01	10647	0.02	5382	0.01	5505	0.01	28320	0.04

TABLE III
FISCAL YEAR 1985
(IN THOUSANDS OF DOLLARS)
STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
ALABAMA	11318	133	0.01	278	0.02	184	0.02	0	0.00	595	0.05
ALASKA	13382	0	0.00	192	0.01	50	0.00	0	0.00	242	0.02
ARIZONA	862	17	0.02	67	0.08	77	0.09	0	0.00	161	0.19
ARKANSAS	10257	60	0.01	250	0.02	132	0.01	0	0.00	442	0.04
CALIFORNIA	178000	80	0.00	752	0.00	108	0.00	981	0.01	1921	0.01
COLORADO	7921	473	0.06	276	0.03	110	0.01	0	0.00	859	0.11
CONNECTICUT	1341	0	0.00	54	0.04	21	0.02	0	0.00	75	0.06
DELAWARE	930	272	0.29	50	0.05	28	0.03	0	0.00	350	0.38
FLORIDA	32051	57	0.00	340	0.01	232	0.01	0	0.00	629	0.02
GEORGIA	28428	101	0.00	324	0.01	218	0.01	0	0.00	643	0.02
GUAM	260	7	0.03	50	0.19	48	0.18	0	0.00	105	0.40
HAWAII	3333	18	0.01	70	0.02	53	0.02	0	0.00	141	0.04
IDAHO	8348	45	0.01	205	0.02	77	0.01	0	0.00	327	0.04
ILLINOIS	3846	0	0.00	106	0.03	83	0.02	0	0.00	189	0.05
INDIANA	5054	26	0.01	69	0.01	66	0.01	0	0.00	161	0.03
IOWA	1840	18	0.01	56	0.03	26	0.01	0	0.00	100	0.05
KANSAS	4152	21	0.01	156	0.04	97	0.02	0	0.00	274	0.07

(IN THOUSANDS OF DOLLARS)

STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
KENTUCKY	6547	0	0.00	223	0.03	120	0.02	0	0.00	343	0.05
LOUISIANA	11356	325	0.03	282	0.02	134	0.01	0	0.00	741	0.07
MAINE	N/A	64	N/A	234	N/A	108	N/A	0	N/A	406	N/A
MARYLAND	4274	619	0.14	150	0.04	85	0.02	0	0.00	854	0.20
MASSACHUSETTS	18718	15	0.00	147	0.01	84	0.00	0	0.00	246	0.01
MICHIGAN	13880	63	0.00	285	0.02	107	0.01	0	0.00	455	0.03
MINNESOTA	23646	56	0.00	214	0.01	76	0.00	2935	0.12	3281	0.14
MISSISSIPPI	N/A	106	N/A	289	N/A	167	N/A	0	N/A	562	N/A
MISSOURI	7317	41	0.01	267	0.04	125	0.02	0	0.00	433	0.06
MONTANA	7278	38	0.01	230	0.03	93	0.01	0	0.00	361	0.05
NEBRASKA	1679	21	0.01	151	0.09	102	0.06	0	0.00	274	0.16
NEVADA	3440	22	0.01	122	0.04	49	0.01	477	0.14	670	0.19
NEW HAMPSHIRE	2304	33	0.01	103	0.04	76	0.03	0	0.00	212	0.09
NEW JERSEY	3298	303	0.09	187	0.06	60	0.02	0	0.00	550	0.17
NEW MEXICO	1308	33	0.03	133	0.10	80	0.06	0	0.00	246	0.19
NEW YORK	10614	0	0.00	265	0.02	93	0.01	0	0.00	358	0.03
NORTH CAROLINA	24685	80	0.00	306	0.01	286	0.01	0	0.00	672	0.03
NORTH DAKOTA	1010	16	0.02	63	0.06	62	0.06	0	0.00	141	0.14
OHIO	6232	32	0.01	159	0.03	92	0.01	0	0.00	283	0.05

(IN THOUSANDS OF DOLLARS)

STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
OKLAHOMA	4462	28	0.01	154	0.03	89	0.02	0	0.00	271	0.06
OREGON	31697	758	0.02	311	0.01	264	0.01	0	0.00	1333	0.04
PENNSYLVANIA	20698	1043	0.05	292	0.01	71	0.00	0	0.00	1406	0.07
PUERTO RICO	2755	0	0.00	50	0.02	83	0.03	0	0.00	133	0.05
RHODE ISLAND	1132	106	0.09	52	0.05	21	0.02	0	0.00	179	0.16
SOUTH CAROLINA	15874	69	0.00	292	0.02	138	0.01	0	0.00	499	0.03
SOUTH DAKOTA	1831	18	0.01	212	0.12	79	0.04	0	0.00	309	0.17
TENNESSEE	9001	52	0.01	261	0.03	145	0.02	0	0.00	458	0.05
TEXAS	11246	419	0.04	242	0.02	165	0.01	0	0.00	826	0.07
UTAH	2000	0	0.00	111	0.06	104	0.05	0	0.00	215	0.11
VERMONT	2377	54	0.02	50	0.02	55	0.02	0	0.00	159	0.07
VIRGIN ISLANDS	N/A	0	N/A	26	N/A	32	N/A	0	N/A	58	N/A
VIRGINIA	14230	75	0.01	292	0.02	246	0.02	0	0.00	613	0.04
WASHINGTON	32065	61	0.00	310	0.01	209	0.01	0	0.00	580	0.02
WEST VIRGINIA	2731	158	0.06	166	0.06	98	0.04	0	0.00	422	0.15
WISCONSIN	16197	37	0.00	281	0.02	91	0.01	0	0.00	409	0.03
WYOMING	5012	58	0.01	130	0.03	67	0.01	0	0.00	255	0.05
TOTAL	632217	6131	0.01	10337	0.02	5566	0.01	4393	0.01	26427	0.04

TABLE IV
FISCAL YEAR 1986
(IN THOUSANDS OF DOLLARS)
STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
ALABAMA	15233	324	0.02	260	0.02	158	0.01	0	0.00	742	0.05
ALASKA	17216	5	0.00	179	0.01	25	0.00	0	0.00	209	0.01
ARIZONA	1021	19	0.02	63	0.06	62	0.06	0	0.00	144	0.14
ARKANSAS	10052	130	0.01	234	0.02	105	0.01	0	0.00	469	0.05
CALIFORNIA	267487	48	0.00	704	0.00	30	0.00	1064	0.00	1846	0.01
COLORADO	8855	311	0.04	259	0.03	74	0.01	0	0.00	644	0.07
CONNECTICUT	2199	1	0.00	50	0.02	14	0.01	0	0.00	65	0.03
DELAWARE	559	271	0.48	47	0.08	46	0.08	0	0.00	364	0.65
FLORIDA	31169	56	0.00	320	0.01	177	0.01	0	0.00	553	0.02
GEORGIA	26260	258	0.01	303	0.01	191	0.01	0	0.00	752	0.03
GUAM	265	4	0.02	47	0.18	21	0.08	0	0.00	72	0.27
HAWAII	3726	18	0.00	66	0.02	22	0.01	0	0.00	106	0.03
IDAHO	N/A	59	N/A	192	N/A	66	N/A	0	N/A	317	N/A
ILLINOIS	3106	27	0.01	99	0.03	75	0.02	0	0.00	201	0.06
INDIANA	6003	31	0.01	65	0.01	49	0.01	0	0.00	145	0.02
IOWA	1775	18	0.01	52	0.03	25	0.01	0	0.00	95	0.05
KANSAS	4170	27	0.01	146	0.04	76	0.02	0	0.00	249	0.06

(IN THOUSANDS OF DOLLARS)

STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET	FPM		FIRE		FM&U		SPECIAL PROJ.		TOTAL	
	$	$	%	$	%	$	%	$	%	$	%
KENTUCKY	7700	0	0.00	208	0.03	113	0.01	0	0.00	321	0.04
LOUISIANA	N/A	401	N/A	264	N/A	119	N/A	0	N/A	784	N/A
MAINE	8634	65	0.01	219	0.03	79	0.01	0	0.00	363	0.04
MARYLAND	4965	575	0.12	141	0.03	108	0.02	0	0.00	824	0.17
MASSACHUSETTS	20293	43	0.00	138	0.01	114	0.01	0	0.00	295	0.01
MICHIGAN	14842	123	0.01	267	0.02	106	0.01	0	0.00	496	0.03
MINNESOTA	25063	64	0.00	201	0.01	90	0.00	2854	0.11	3209	0.13
MISSISSIPPI	19126	256	0.01	270	0.01	147	0.01	0	0.00	673	0.04
MISSOURI	8900	41	0.00	250	0.03	123	0.01	0	0.00	414	0.05
MONTANA	13475	34	0.00	215	0.02	54	0.00	0	0.00	303	0.02
NEBRASKA	1688	27	0.02	142	0.08	73	0.04	0	0.00	242	0.14
NEVADA	3940	25	0.01	114	0.03	39	0.01	334	0.08	512	0.13
NEW HAMPSHIRE	3077	42	0.01	96	0.03	88	0.03	0	0.00	226	0.07
NEW JERSEY	4824	591	0.12	175	0.04	53	0.01	0	0.00	819	0.17
NEW MEXICO	1651	28	0.02	124	0.08	75	0.05	0	0.00	227	0.14
NEW YORK	13237	59	0.00	248	0.02	129	0.01	0	0.00	436	0.03
NORTH CAROLINA	26086	117	0.00	287	0.01	245	0.01	0	0.00	649	0.02
NORTH DAKOTA	997	13	0.01	59	0.06	21	0.02	0	0.00	93	0.09
OHIO	6933	33	0.00	149	0.02	85	0.01	0	0.00	267	0.04

(IN THOUSANDS OF DOLLARS)

STATE & PRIVATE FORESTRY FINANCIAL ASSISTANCE TO THE STATES

STATE	STATE FORESTRY BUDGET $	FPM $	FPM %	FIRE $	FIRE %	FM&U $	FM&U %	SPECIAL PROJ. $	SPECIAL PROJ. %	TOTAL $	TOTAL %
OKLAHOMA	5076	30	0.01	144	0.03	67	0.01	0	0.00	241	0.05
OREGON	35422	50	0.00	291	0.01	170	0.00	0	0.00	511	0.01
PENNSYLVANIA	20379	986	0.05	273	0.01	84	0.00	0	0.00	1343	0.07
PUERTO RICO	2391	0	0.00	47	0.02	70	0.03	0	0.00	117	0.05
RHODE ISLAND	1700	108	0.06	48	0.03	19	0.01	0	0.00	175	0.10
SOUTH CAROLINA	16602	213	0.01	273	0.02	121	0.01	0	0.00	607	0.04
SOUTH DAKOTA	1813	19	0.01	199	0.11	61	0.03	0	0.00	279	0.15
TENNESSEE	10652	49	0.00	244	0.02	123	0.01	0	0.00	416	0.04
TEXAS	10958	507	0.05	227	0.02	147	0.01	0	0.00	881	0.08
UTAH	1543	0	0.00	104	0.07	71	0.05	0	0.00	175	0.11
VERMONT	2595	31	0.01	47	0.02	64	0.02	0	0.00	142	0.05
VIRGIN ISLANDS	N/A	0	N/A	24	N/A	31	N/A	0	N/A	55	N/A
VIRGINIA	14230	150	0.01	273	0.02	214	0.02	0	0.00	637	0.04
WASHINGTON	56236	55	0.00	290	0.01	131	0.00	0	0.00	476	0.01
WEST VIRGINIA	2898	348	0.12	154	0.05	55	0.02	0	0.00	557	0.19
WISCONSIN	27524	53	0.00	263	0.01	68	0.00	0	0.00	384	0.01
WYOMING	5596	32	0.01	122	0.02	57	0.01	0	0.00	211	0.04
TOTAL	800136	6775	0.01	9676	0.01	4630	0.01	4252	0.01	25333	0.03

TABLE V
STATUS OF STATE FOREST RESOURCE PLANS

State	Commercial Forested Acres (Thousands)	Completed	PLAN STATUS	
			Expected Completion	Planning Steps
ALABAMA	21,658	1983		Implementation
ALASKA	119,145		1987	Draft Plan
ARIZONA	3,895		1989	Interim Plan
ARKANSAS	16,600	1986		Program Develop.
CALIFORNIA	32,500	1983		Implementation
COLORADO	11,315	1983		Implementation
CONNECTICUT	1,861		1988	Program Develop.
DELAWARE	390	1986		Final Direction
FLORIDA	15,664	1982		Implementation
GEORGIA	23,734	1987		Final Direction
HAWAII	1,970		1988	Draft Plan
IDAHO	14,200		1989	Draft Plan
ILLINOIS	3,800	1984		Implementation
INDIANA	3,943	1981		Implementation
IOWA	1,561	1986		Final Direction
KANSAS	1,350	1983		Implementation
KENTUCKY	12,500	1986		Draft Plan
LOUISIANA	14,000	1986		Final Direction
MAINE	17,607	1986		Final Direction
MARYLAND	2,653	1987		Final Direction
MASSACHUSETTS	2,798	1985		Final Direction
MICHIGAN	17,500	1982		Implementation
MINNESOTA	13,700	1983		Implementation
MISSISSIPPI	16,232	1983		Implementation
MISSOURI	12,876	1983		Implementation
MONTANA	23,189	1980		Implementation
NEBRASKA	1,193	1983		Implementation
NEVADA	7,683	1983		Implementation
NEW HAMPSHIRE	4,985	1982		Implementation
NEW JERSEY	1,928	1983		Implementation
NEW MEXICO	6,951	1986		Implementation
NEW YORK	18,270	1986		Implementation
NORTH CAROLINA	18,450	1985		Implementation
NORTH DAKOTA	343	1983		Implementation
OHIO	6,900	1983		Implementation
OKLAHOMA	8,513	1983		Implementation
OREGON	29,431	1983		Implementation
PENNSYLVANIA	15,624	1985		Implementation
RHODE ISLAND	404	1984		Implementation
SOUTH CAROLINA	12,502	1984		Implementation
SOUTH DAKOTA	1,800		1989	Draft Plan
TENNESSEE	13,308	1985		Final Plan
TEXAS	12,512	1980		Implementation
UTAH	15,553	1987		Final Plan
VERMONT	4,422	1985		Final Direction
VIRGINIA	16,417	1985		Final Direction
WASHINGTON	17,305	1985		Final Direction
WEST VIRGINIA	11,484		Not Active	
WISCONSIN	14,759	1983		Implementation
WYOMING	9,779	1983		Implementation

Table VI. State Programs Focused on Major Private Forestry Activities, by Region, Program Type, and Frequency, 1985.

Major Forestry Activity and Program Type	Frequency of States in Region Having Program Type									
	New England	Middle Atlantic	Lake States	Central States	South Atlantic	Southern States	Pacific States	N. Rocky Mountain	S. Rocky Mountain	TOTAL
Water Quality Protection										
Tax Incentives	0	0	1	0	0	0	0	0	0	1
Financial Incentives	0	1	1	0	1	1	1	0	0	5
Educational Programs	5	2	3	5	3	8	3	3	3	35
Technical Assistance	6	5	3	6	3	6	2	4	5	40
Voluntary Guidelines	3	4	1	3	3	9	2	3	2	30
Legal Regulations	5	4	3	1	0	0	5	3	3	24
Reforestation and Timber Management										
Tax Incentives	1	2	3	5	1	2	0	2	0	16
Financial Incentives	1	3	3	4	3	4	2	1	1	22
Educational Programs	5	4	3	6	3	8	3	3	2	37
Technical Assistance	6	5	3	7	3	8	4	5	5	46
Voluntary Guidelines	0	2	2	2	3	3	1	1	2	16
Legal Regulations	1	3	1	1	0	0	4	1	3	14
Forest Protection										
Tax Incentives	0	1	0	0	0	0	0	0	0	1
Financial Incentives	0	1	1	0	0	1	1	0	0	4
Educational Programs	5	5	3	6	3	9	1	3	3	38
Technical Assistance	6	5	3	7	3	9	4	4	5	46
Voluntary Guidelines	1	1	1	2	3	3	1	3	2	17
Legal Regulations	6	4	2	6	3	8	5	4	4	42

Table *VI*. State Programs Focused on Major Private Forestry Activities, by Region, Program Type, and Frequency, 1985.

Major Forestry Activity and Program Type	Frequency of States in Region Having Program Type									
	New England	Middle Atlantic	Lake States	Central States	South Atlantic	Southern States	Pacific States	N. Rocky Mountain	S. Rocky Mountain	TOTAL
Wildlife and Aesthetic Management										
Tax Incentives	0	1	1	1	0	0	0	0	0	3
Financial Incentives	0	1	1	3	0	0	1	0	0	6
Educational Programs	4	3	3	5	3	7	1	4	2	32
Technical Assistance	5	5	3	6	3	7	4	4	4	41
Voluntary Guidelines	1	1	1	2	2	3	1	1	1	13
Legal Regulations	2	2	1	2	0	1	5	1	0	14

Note: Water Quality Protection focuses on nonpoint silvicultural sources of pollutants, vegetative buffer strips along waters, road and skid trail design and construction. Reforestation and Timber Management focuses on seed trees and other reforestation forms, timber harvesting system, clearcut size and design. Forest Protection focuses on slash treatment, other wildfire-related treatments, prescribed burn smoke management, herbicide and pesticide application, disease and insect management. Wildlife and Aesthetic Management focuses on wildlife habitat, scenic buffers along roadways, coastal zone mangement requirements.

Regional Groupings of States:

New England--Connecticut, Massachusetts, New Hampshire, Rhode Island, and Vermont.
Middle Atlantic--Deleware, Maryland, New Jersey, New York, Pennsylvania, and West Virginia.
Lake States--Michigan, Minnesota, and Wisconsin.
Central States--Illinois, Indiana, Iowa, Kansas, Kentucky, Missouri, Nebraska, and Ohio.
South Atlantic--North Carolina, South Carolina, and Virginia.
Southern States--Florida, Georgia, Alabama, Mississippi, Tennessee, Arkansas, Louisianna, Oklahoma, and Texas.
Pacific States--Alaska, California, Hawaii, Oregon, and Washington.
Northern Rocky Mountain--Idaho, Montana, North Dakota, South Dakota, and Wyoming.
Southern Rocky Mountain--Arizona, Colorado, Nevada, New Mexico, and Utah.

43. Question: One of the major goals of the insect and disease program is to "get pest management principles incorporated into forest management and thereby reduce periodic major pest outbreaks and forest resources losses". (p. 73). How would you evaluate your progress to date at achieving this principle?

Answer: Good progress has been made in making land managers aware of pest management principles through training, increased technical assistance, and pest management demonstration projects. These activities are continuing as new land managers, pest problems, and technology, require frequent updating and retraining. However, the extensiveness of forest resources in this country, the complexity of pest/forest interactions, the large number of technical resource managers, and misconceptions by the public about the principles of sound vegetation management combine to make getting pest management principles into forest management a major task.

One thing I hear is that our forests are not being managed in accordance with sound forest pest and disease control principles. For example, stand age and stand density are two known contributors to the probability and severity of pest outbreaks for gypsy moth, for spruce budworm, and for southern pine beetle. Yet, I see longer rotations and fewer thinning activities.

44. Question: Do you agree with this assessment?

Answer: Yes, in addition to the magnitude of the task, other situations occur that may prevent the incorporation of sound pest management principles in forest management. These include lack of markets for trees that have reached maturity and should be harvested or for trees that should be thinned from over-dense stands; inaccessibility of infested trees because roads are not available or the terrain is not suitable for tree harvesting; wilderness and other reserved lands from which pest may attack adjacent lands; deficiencies in existing pest management technology; and forest land owned by individuals who are unable or unwilling to make the investments necessary for sound forest management.

Reducing pest outbreaks is not an end unto itself. Management activities have costs which may not justify their use in specific site situations.

45. Question: What is being included in the new land management plans to address this problem? What needs to be done? What implications does this have for timber sales activities and the below cost sales issue in particular?

Answer: The land management plans take current and potential pest problems into consideration when scheduling activities. For example, high risk areas are identified for thinning, harvesting, or other practices where feasible. Pest considerations may alter expected harvest schedules either by requiring an earlier rotation age or salvage harvesting because of an outbreak.

46. Question: Please provide for the record an explanation of the Forest Service role in the operation of the conservation reserve, including such impacts as technical assistance by Forest Service staff, by state foresters, for seedling supply, and other activities.

Answer: Under the Conservation Reserve, the Forest Service has responsibility for forestry leadership and the provision through State Foresters of tree seedlings and technical assistance to participating farmers.

47. Question: What are the cost estimates included in the budget of such activities, and do those estimates reflect the latest estimates of 10 to 20 million acres of land being placed in the reserve?

Answer: Funding for Federal/State Cooperative forestry programs is being eliminated, however, funding is being proposed in the budget of the Soil Conservation Service. The direct, on-the-ground assistance to farmers is funded by the Commodity Credit Corporation, which provides money through the Forest Service to the State Foresters. In 1988, this assistance will amount to approximately $8 million.

TIMBER SALES PROGRAM

48. Question: As I understand the situation, housing starts generally are trending upwards toward the 2 million unit level. Is that about right? What is the range of estimates you reviewed when developing our budget? (p. 150)

Answer: We have projected about 1.9 million housing starts for the next 2-3 years. We looked at ranges of 1.5 to 2.0 million starts during the development of the budget.

49. Question: As I understand it, harvest levels from National Forests and total softwood lumber consumption are at or approaching historic levels. Is that right? (p. 146)

Answer: The total harvest in FY 1986 was the largest amount since 1973, with the record set in FY 1971 at 12.3 BBF. The amount of sawtimber harvested was approximately equal to the average for the 10 years.

50. Question: If total softwood lumber consumption is about 45 billion board feet annually, and increasing, where are those supplies coming from?

Answer: The total consumption of softwood lumber has increased steadily since the recession year of 1982, when it was only 32.5 billion board feet. In 1985, consumption was 44.4 billion board feet and in 1986, it was 47.2 billion board feet. Approximately 45.4 billion board feet was consumed in the United States, the balance was exported.

Housing starts in the United States have exceeded 1.7 million per year for the past four years, a very good market by historical standards. This market has pulled in lumber from every possible source.

Domestic production increased from 24.9 billion board feet in 1982, to 34.7 billion board feet in 1986. Imports, almost all from Canada, increased from 9.1 billion board feet in 1982, to 14.5 billion board feet in 1985.

In part, because of a prolonged strike in British Columbia, imports declined to 14.2 billion board feet in 1986. Because of the strong value of the U.S. currency in the early 1980's and because of the strong domestic market of the past several years, U.S. exports declined from 2 billion board feet in 1980, to 1.5 billion board feet in 1985. This slow down in exports had the effect of making more lumber available for domestic consumption. By the end of 1986, U.S. exports were increasing in response to the marked devaluation of the dollar over the past year or so and the total export volume amounted to 1.8 billion board feet.

I believe that National Forest timber harvest levels are about 10 billion board feet. I also understand that Canadian imports totaled 10 billion board feet, or a little less, in 1972 but by 1986, they had almost doubled, to right at 20 billion board feet.

51. Question: With the recent U.S./Canadian agreement on implementation of an export tax by the Canadian government, does the Forest Service have an estimate of the impact that will have on Canadian imports, and a corresponding estimate of the impact it will have on harvest rates from National Forest lands?

Answer: The export tax is expected to have the following general effects:

1. It will raise prices for softwood lumber in the United States
2. Profit margins for U.S. producers will increase and they will decrease for Canadian producers.
3. If Canadian producers are unwilling or unable to absorb the export tax in the form of reduced profit, exports of softwood lumber to the United States will decline as compared to the situation without the export levy.
4. Especially in the South, there have been reports that builders are willing to pay a premium for Canadian lumber over southern pine lumber.

> We do not know the extent of this practice, but it would offset the adverse effects of the tax on Canadian producers and encourage additional imports.

Market interactions tend to blur the effects of any one factor on market developments. Because of the high levels of housing starts in the United States, softwood lumber imports from Canada would be high with or without the export tax. The strike in British Columbia lasted several months at the end of 1986, during the time that sawmills normally build log inventories for the winter months. Log shortages at these mills have affected lumber production for the past three months. Since the first of the year, prices for framing lumber have gone up more than 10 percent. These higher prices have encouraged more domestic production and more imports.

The most direct link between the export tax in Canada and harvest on National Forests is the effect of the tax on prices for softwood lumber. Housing starts, labor costs, the export tax, and many other factors interact to determine prices, and it is difficult to attribute a price change to any one factor. The high prices of the past few months will tend to maintain harvest rates on National Forest lands. We judge housing starts and other basic determinants of supply and demand to be just as important as the export tax in determining harvest rates on National Forests. Harvest on National Forests in fiscal year 1986 was 11.8 billion board feet. For fiscal year 1987, we expect this harvest to decline slightly to 11.5 billion board feet in response to lower levels of housing starts later in the year.

52. Question: What is the recent bidding history for National Forest timber sales in the Pacific Northwest and Intermountain area? Are those bid prices increasing? Is part of these increases a reflection of the decreasing amount of timber under contract but unharvested.

Answer: Recent bidding history for National Forest timber in the Pacific Northwest and Intermountain Regions are generally increasing at a rate slightly higher than inflation. Most of the increase reflects increasing demand for wood products as witnessed by new housing starts movement from 1.75 to 1.81 million between 1985 and 1986. Declines in uncut timber under contract are largely due to defaults and recent buy out provisions under the Federal Timber Contract Modification Act of 1984.

Buy out of these high prices contracts, while reducing the total volume under contract, has not had a significant effect on recent bid prices as the volume under contract has now returned to historic average levels. Those sales defaulted and bought out were generally uneconomic and would not have been harvested. Additionally, harvest levels for the Pacific Northwest and Intermountain Regions were below the offer and sell levels for FY 1986, and are expected to be commensurate for FY 1987 and FY 1988.

53. Question: For the record, what is happening to the quantity of timber under contract? What amount does the Forest Service recommend be held under contract?

Answer: The uncut timber under contract, adjusted for timber reductions due to the Federal Timber Contract Modification Act of 1984, increased about 2 billion board feet (BBF) between 1982 and 1983, remained fairly constant until 1985, and declined about 2 BBF in 1986.

In 1986, about 11.0 BBF of timber was sold, 11.8 BBF harvested, and 1.3 BBF defaulted. Uncut net volume under contract at the end of 1986 was almost 26.0 billion board feet.

The Forest Service does not recommend holding a specific volume under contract. Those decisions are made by industry and vary with plant size, market area, and the economy. There is a general rule of thumb, however, that an overall healthy situation is reflected whenever the uncut volume under contract is between 2.0 to 3.0 times the volume harvested in a given year. In fiscal year 1986 about 11.8 BBF of timber was harvested. Applying the rule of thumb suggests between 23.6 and 35.4 BBF should be under contract.

In the past, there was almost no cost to an operator associated with holding a Federal timber contract. In order to avoid future rounds of speculative bidding, the Forest Service has introduced a number of contract provisions, such as up-front deposits and mid-point payments. This imposition of a cost of holding timber sales contracts has probably reduced the volume which individual operators feel is desirable to maintain in their portfolios, but there is not data available to quantify the affect.

54. Question: The 1988 sales level is proposed at 11.1 billion board feet (BBF). However, the Forest Service assumption for harvest levels is in the 11.8 BBF range (p. 150). Why shouldn't the Forest Service offer for sale a volume of timber in a given year an amount at least equal to the amount harvested in the prior year?

Answer: The amount of volume offered should be held as consistent as possible for companies to plan their future needs. Harvest levels may fluctuate widely from year to year.

55. Question: We hear increasing complaints that miscellaneous product volumes are an increasing portion of the Forest Service sales program nationally. For example (p. 152), I note that fuelwood use from National Forest land totals about 1 BBF. Is the .7 BBF portion of that fuelwood program that is sold included as a part of the National Forest System timber sales program? Has that number changed significantly over time, for example, during the period since the first oil embargo of 1973, 1974 and again in 1980?

Answer: The .7 BBF portion of the fuelwood program which is sold to commercial and personal users is credited toward the National Forest System (NFS) timber sales program. The volume of fuelwood removed from NFS lands steadily increased from the early 1970's thru the early 1980's. The Forest Service began charging for fuelwood in 1983 and has provided a mix of free use and charge fuelwood to the public. Demand for fuelwood has decreased significantly over the past 5 years and is reflected in our timber sale accomplishment. This decrease can be attributed to decreasing oil and gas prices, loss of enthusiasm to cut one's own wood, and the initiation of the charge system.

56. Question: For the record, please compute a 1988 base column for the timber program support table on page 155 of the Explanatory Notes.

Answer: Following is a table showing the FY 1988 Base for the Timber Sale and Support Program. For comparability, we have included an estimate in the 1988 Base for construction. The construction program is justified in the 1988 Explanatory Notes from a zero base.

TIMBER SALES PROGRAM AND SUPPORT

	1987 Estimated	1988 Base	1988 President's Budget
	(Dollars in thousands)		
National Forest System			
Inventory planning	$ 13,280	$ 14,222	$ 17,277
Silvicultural examination	20,870	22,560	28,200
Sales preparation	99,409	106,513	106,260
Harvest administration	50,580	54,553	59,459
Subtotal, Timber Sales Program	184,139	197,848	211,196
Support to the Timber Sales Program			
Minerals	1,471	1,571	1,069
Forest fire protection	4,333	4,648	3,791
Recreation	8,043	8,603	7,882
Wildlife and fish	6,732	7,147	8,590
Range	764	825	964
Soil and water	7,394	7,830	8,070
Subtotal, Timber Support	28,737	30,624	30,366

TIMBER SALES PROGRAM AND SUPPORT

	1987 Estimated	1988 Base	1988 President's Budget
	(Dollars in thousands)		
Road Construction			
Forest Service construction	180,000	188,057	166,530
Purchaser construction 2/	(110,770)	(110,770)	(117,799)
Purchaser roads constructed by FS 3/	8,225	8,236	11,430
Subtotal, Road Construction	188,225	196,293	177,960
SUBTOTAL, APPROPRIATED FUNDS	401,101	424,765	419,522
Special Accounts			
Timber salvage fund	26,000	27,565	18,635
Tongass timber supply fund 1/	42,254	47,236	41,755
Subtotal, Special Accounts	68,254	74,801	60,390
TOTAL, TIMBER SALES PROGRAM	$469,355	$499,566	$479,912
Timber prepared and offered MMBF	11,235	11,235	11,144

1/ Does not include reforestation and stand improvement funds. These costs are included in the Permanent Working funds section under the Tongass Timber Supply Fund (TTSF) appropriation.

2/ Latest estimate of actual needs. This appropriation limitation is based on the legislative authority of P.L. 97-100. No new limitation authority was required, as sufficient prior year limitation balances were available upon use in FY 1986.

3/ Latest estimate of actual use, based upon field estimate from most recent experience.

57. Question: Please provide an update for the record on the test of the transaction evidence analysis and tree measurement systems. Would you include summaries of the field testing?

Answer: Transaction evidence appraisal systems have been used successfully in the East since 1979 and in the Southwest Region since last May. Since early 1980, tests of transaction systems have been conducted in parts of the Northern Region. Currently the Intermountain and Rocky Mountain Regions are developing transaction appraisal methods with local purchaser and industry associations. On April 1, the Southwestern Region began using transaction evidence for all roundwood product appraisals. On July 1, the Northern Region will expand their transaction evidence appraisal test to the whole Region. The Intermountain Region plans to have their transaction system operational by September 1.

Tree measurement systems have been used in the Northern and Southeastern Regions for many years. Four forests in the Southwestern Region sell all their sales on a presale measurement basis. All other forests in that Region are cruising stands to presale measurement standards, and are authorized to make sales on that basis, with industry concurrence. The Intermountain Region is experimenting with area sales on one forest. Other Regions have attempted to use tree measurement systems with mixed results. For example, tests in old growth forests in the Pacific Northwest identified a high degree of inaccuracy relative to the normal scaling procedures due to defect.

The budget proposes a reduction of $253,000 in the timber sales preparation activity. The justification (p. 156) indicates that the reduction is based on individual forest estimates of the amount of work needed to meet the sales targets. However, I am puzzled by the cost of work assumptions used in the budget proposals. The 1987 volume of new sales is 6.853 billion board feet and 2.969 billion board feet of reoffer volume. New sales are, on average, more expensive than reoffer volume because of the preparatory work needed to initially prepare and offer an area for sale. In 1988, however, the new sales volume goes up to 7.318 billion board feet and the reoffer volume goes down to 2.671 billion board feet.

58. Question: How is it that these changes lead to a reduced cost program in 1988?

Answer: The costs for the FY 1988 program are approximately the same as FY 1987, because of the additional funding in FY 1987 that was provided by Congress to help replace the buy-back volume with new sales. Because of the Congressional emphasis in FY 1987, forests were able to more evenly plan the flow of timber sales through the preparation process to replace the reoffer sales in FY 1988 and 1989.

The differences in the timber sales levels mix between Regions and the 91 million board feet less volume in the FY 1988 program are additional reasons why the costs are almost the same as in FY 1987. In addition, forests are also continuing their efforts to reduce costs and manpower.

59. Question: Will the Forest Service be able to meet all of its volume targets, by region, in 1987 as provided by Congress?

Answer: The Forest Service can provide the volumes as directed by Congress in the FY 1987 appropriations.

In the 1987 Conference Report, the Conferees agreed to the following language: "The allowance also includes funds to maintain timber support activities and to begin the advanced sales preparation work necessary to maintain the option of continuing historic sales levels after the supply of reoffer volume has been exhausted." This applies particularly in Region 6, because they have the majority of the reoffer volume.

60. Question: Does the 1988 proposal maintain the historic sales levels? Does it maintain the option of maintaining the historic sales levels in 1988?

Answer: The FY 1988 budget does provide for the maintenance of the historic levels, but not necessarily by individual Regions as the new forest land and resource management plans are indicating changes in the Allowable Sale Quantities on several National Forests from historic levels. Some National Forests will experience a reduction in their timber sale programs while other National Forests will experience an increase, with the overall sale program remaining at historic levels.

61. Question: How much of an increase is required to maintain the 1987 sales level in Region 6?

Answer:	Dollars in millions
Timber Sale Preparation	$ 3.0
FRP Roads	3.3
Subtotal, appropriated funds	6.3
Purchaser Election	1.0
Other Resources	.8
Salvage Sale Fund	2.7
Total	$10.8

62. Question: If we were to delete the reoffer and default volume from your total sales level in Region 6, and replace that volume with new sales volume, what would that cost in 1988 and what implications does that have in the long-term sawtimber supply picture in Region 6?

Answer: The Federal Timber Contract Payment Modification Act (FTCPMA) of 1984 requires that timber sales be returned to the market as soon as possible. Further, the returned volume would not be additive, but part of each years timber sales program. Timber budgets were reduced to reflect the previous timber sale preparation work already performed on these sales. Additional preparation work has not been done.

The replacement of the 2.0 billion board feet of volume with new sales would have to be in addition to the proposed 4.84 billion board feet in the President's Budget for FY 1988. This replacement volume would cost in excess of $36 million, using current unit costs. In addition, the Forest Service would not have the manpower or resources necessary to prepare and offer an additional 2 billion board feet of timber sales, or to substitute that much volume in one given fiscal year.

Generally speaking, a Region can increase their timber sales for a given year by 10 to 15 percent by deferring needed work on three year or later sales in the current sales program.

Due to the sensitivity of the forest land management planning, the implications of an increase of this magnitude would be significant. A change in the Regional timber sale direction and program of approximately 50 percent would create impacts on organizations and public concerns. Most likely, appeals and litigation would preclude the offering of this volume for several years and would defer collection of damages from defaulted sales.

Assuming sustained even flow, substituting default/buyout sales for new sales would not change the long term timber supply.

RECREATION AND WILDLIFE PROGRAMS

I want to take a few minutes to review comparable funding levels for several programs between 1980 and the budget for 1988. For example, the recreation and wildlife programs were funded, respectively at $106,424,000 and $39,773,000 in 1980, whereas they are proposed at $116,289,000 and $37,924,000 in 1988. Between those two years, the recreation budget has ranged as low as $91,180,000 and the wildlife budget has been as low as $33,136,000.

63. Question: Now that the results are coming in off of the accounting system trial forests, which indicate that the timber program has been used as a chargeable account for programs such as the wildlife and recreation programs, do you have any idea how much has actually been spent in each of the past few years for these activities? Is there any way to find this out?

Answer: In October, 1984, Congress directed the Forest Service to expand its accounting system to better represent the costs and benefits of the national timber sale program. After more than two years of investigation and testing on over 35 national forests in all Forest Service regions, the Timber Sale Program Information Reporting System (TSPIRS) is ready for performance testing and full implementation service-wide by 1989. TSPIRS is comprised of three reports for each national forest, each displaying a different perspective of a national forest's sale program. Report 1, the financial account, displays the annual revenues matched against the appropriate costs that generated the revenue. Report 2, the economic account, displays the discounted long-term costs and benefits (both market and nonmarket) that flow from the harvest activity. Report 3, the socio-economic account, displays the employment, income and program level values that result and impact local communities from the national forest's timber sale program.

The financial Report 1 accounts only for expenditures appropriate to the timber sale program, not direct expenditures for other resource programs, such as recreation or wildlife. However, Report 2 does reflect costs and/or benefits to these and other resource areas jointly produced as a consequence of timber management activities. For example, timber harvest creates temporary openings that may be beneficial to certain wildlife, thereby increasing their populations. Roads built initially for timber removal may be used after harvest is complete by forest visitors for recreation purposes. These are the types of other resource benefits that are jointly produced by timber management. The initial expenditures were programmed and accomplished for timber program purposes, other resources were affected as a consequence of the timber resource objective. Where costs to other resources are incurred by the timber sale program activities, they are reported in Report 2, along with measurable benefits. In the testing of TSPIRS there has been no indication that the timber program has become a chargeable account for other resources. Such spending is in violation of congressional appropriations. TSPIRS is a timber sale program accounting system; at this point there is no parallel three-report system for other resources.

STATE AND PRIVATE FORESTRY - COST SHARING

64. Question: How many acres will not be sprayed because the States (West Virginia and others) cannot come up with the cost sharing?

Answer: The State of West Virginia will not spray an additional 10,000 acres because State and/or local cost share funds are not available. The State of Virginia will not spray approximately 8,000 acres due to not having adequate funds for cost sharing. No other States indicated having cost share problems. In the generally infested States, only high value areas are treated. Where high value areas are not treated, local governments have decided not to participate either for financial reasons or because of opposition by local citizens.

FOREST RESEARCH - SEWANEE LAB

65. Question: How much is proposed in 1987 and 1988 for Sewanee, Tennessee? How is the closure of the lab, as contemplated by Congress in 1987 coming along? Has the Forest Service worked with user Agencies to continue Sewanee in future years?

Answer: The President's budget request for FY 1987 did not include funding and the Conference Report for the FY 1987 Forest Research appropriation did not provide funds for the continuation of Forest Service research at the Sewanee, Tennessee, Silviculture Laboratory. However, at the request of Senators Gore and Sasser and Congressman Cooper, the Forest Service agreed to defer closing the laboratory until the end of FY 1987. The Southern Station accomplished this temporary FY 1987 funding for the Sewanee Laboratory by reducing the budgets of other Timber Management Research Units in Stoneville, Mississippi, Gulfport, Mississippi, and Auburn, Alabama, thus affecting research on herbicides, genetics, and hardwood management. No funds have been received from the State of Tennessee or other supporters to help cover the FY 1987 costs. The President's FY 1988 Budget does not include funds for Sewanee. At the request of these Members of Congress from Tennessee, the Forest Service has worked with cooperators in Tennessee and adjoining States to develop a proposed research program for the laboratory.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

ROAD CONSTRUCTION

As you know, Chief Robertson, I've never been a big fan of the Forest Service's excessive roads budget. Unfortunately, despite the efforts of myself and many of my colleagues last year to reduce the funding level for road construction, Congress gave you more money for road construction than you even asked for. So I can't blame you for building roads that we gave you money to build. However, I can argue that -- for the $228 million we gave you in FY 1987, and for the $198.6 million you're asking for in FY 1988 -- we should at least be given a notion of where our money's being spent.

I am somewhat surprised, when I look through your annual budget Explanatory Notes, that you provide a project by project listing of all anticipated recreation construction projects, down to the smallest campground. Take, for example on page 228, in the Superior National Forest -- the Explanatory Notes cite a necessary toilet replacement. I am impressed that you give us this kind of detail.

66. Question: Yet, where is the same kind of detail on the road construction budget? Given that the recreational facility budget request is $7.78 million and you can tell us where a toilet will go, why haven't you told us where $198.6 million worth of road construction money will go?

Answer: We have previously informed the Congress that specific road project information is formulated at the forest level. Only total miles of construction and reconstruction costs are aggregated at the national level for program formulation. It is done that way because decisions relative to the need for a specific road project are made at the forest and regional levels. Developing and maintaining specific road project listings at the national level was not, and is not, cost effective in view of specific Congressional direction to reduce overhead and other expenses so that unit cost reductions could be achieved.

As you know, last year the Interior Appropriations Conference Committee directed all Forest Supervisors to make available for public review the anticipated location, mileage, cost and use for all roads required in annual timber sale programs.

67. Question: Why isn't that listing a part of this year's Explanatory Notes? And don't tell me it is not available, because I know that your procedures require planning of such matters several years in advance of actual construction.

    Answer: The managers of the Interior Appropriations Conference Committee directed that each Forest Supervisor make available for public review, the anticipated location, mileage, cost and use for all local, arterial and collector roads required in an annual timber sale program as determined by a forest management plan. The managers further directed that the information be published annually and updated every six months. As required by the Conference managers, this information is currently available at each Forest Supervisor's Office.

    It would also be extremely difficult to provide this information in the annual budget Explanatory Notes because of the time lag between the receipt of the final appropriations, distribution of the final appropriations to regions and forests, development of the final plan of work (and projects) and the development and printing of the annual Budget Explanatory Notes.

68. Question: I would appreciate it if you would immediately provide this information to our Committee as it relates to the FY 1988 budget request. I believe it would help all of us to better understand the need of your road construction request, which represents more than 10% of the entire Forest Service budget.

    I would also appreciate it if you would furnish a similar list as it relates to the FY 1987 forest roads program. It would be similarly useful to know where and how the $228 million for 1987 is being spent.

    Answer: A similar request was made by the Chairman of the House Subcommittee on Forests, Family Farms, and Energy. The project listings for FY 1987 and FY 1988 was sent to the Chairman on April 15, we have forwarded a copy to your office.

On a related roads question, I have here a table of road mileage on the National Forests -- compile from your Explanatory Notes, from FY 1983 to FY 1988. I am intrigued to see that the cumulative excess road mileage from FY 1983 to FY 1988 --the amount of roads miles constructed and reconstructed by the Forest Service over and above the mileage you requested annually -- is 3,355 miles.

Intrigued is probably not the right word. I am first and foremost disappointed with Congress, that we gave you sufficient funds to build 3,355 excess road miles. I hope that we can curtail our generosity this year.

However, 3,355 extra road miles have been constructed or reconstructed. Yet, I notice in your testimony, Chief Robertson, that you say "the timber sale program and the forest road construction budgets are in balance, and one cannot be adjusted without a corresponding adjustment in the other."

69. Question: I am confused as to what that implies. Obviously that has not held true in the past, because we have given you more money than you've requested for the roads program in the past. In those instances, have you requested for a corresponding increase in the timber sale level when we've increased the roads budget?

    Answer: Increases in previous fiscal years road appropriations over the President's Budget request were the result of Congressional actions. Congress has increased the Forest Road Program budget to support its directed changes in various Forest Service resource areas, as well as the additional cost of designated projects included in the appropriations bills. Additional funding has been provided commensurate with increased timber and recreation construction programs. These additions were to meet the resource output levels set by Congress in the appropriations bills.

    The FY 1987 Appropriations Bill is an excellent example of these actions. The President's Budget request was for $178,485,000. Congressional action increased the proposed timber offer volume from 10.025 billion board feet to 11.200 billion board feet. Congress provided an additional $21 million in Forest Road Program funds in support of this program increase. An additional

$15 million was added by Congressional action to provide for advanced engineering and design activities necessary to enable the Forest Service to maintain the option of continuing historic sales levels and their related road construction programs. The balance of the increase was $14 million for Congressionally designated projects not in the President's Budget.

When the final appropriation provides for increases in resource programs, above the President Budget, Congress normally provides the additional road funding required to support the resource program increases.

70. Question: If you have not asked for, and we have not given you a corresponding increase in the timber sale level, it stands to reason that this excess road mileage should be counted as credit towards future timber sale requests. In other words, if you say that the timber sale program and the road construction accounts are in balance, and you haven't increased the timber sale level to correspond with an increase in the roads budget, then it stands to reason that we have more roads than we currently need for timber sales. Is that not true?

Answer: As explained in the previous response, the additional timber support road funds were for additional volume of timber mandated by Congress. A surplus of road construction and reconstruction projects does not exist.

71. Question: Can you tell us where those 3,355 miles of roads are?

Answer: The 3,355 excess miles of roads was calculated by comparing the target in the President's Budgets for fiscal years 1983-1987 and comparing the actual accomplishments for that same time period (1987 planned based on final appropriation). This data is misleading because it includes only one component of the total Forest Service Road Program, which is the Forest Road Program (FRP).

The following table compares the total road mileage planned in the President's Budget, for the same time period, for the three programs that fund road construction. They are the Forest Road Program (FRP), Purchase Credit Program (PCP), and Purchaser Elect Program (PEP). All three programs are used in combination to provide for new road construction and reconstruction necessary to enable the flow of goods and services from the National Forest in the program year as well as out years. Using the same basis for comparison (President's Budget and actual accomplishments), accomplishments), but including all three road program areas, the data shows a shortfall, rather than a surplus of construction and reconstruction miles.

	1983 Actual	1984 Actual	1985 Actual	1986 Actual	1987 Allocated
Total Mileage Requested 1/	12,415	11,063	10,574	7,682	6,845
Total Mileage Built 1/	8,348	7,549	8,042	6,417	7,669 2/
Miles Not Constructed	4,067	3,514	2,532	1,265	-824
Cumulative Miles not Constructed	4,067	7,581	10,113	11,378	10,554

1/ Data from Forest Service Budget Explanatory Notes 1982-1988.

2/ The estimated increase shown here is the result of Congressional action which directed the Forest Service to increase its offer volume to 11.2 billion board feet from 10.0 billion board feet and to construct approximately $13.5 million in recreation related roads.

We have displayed this information only to show the change in the end result when all forest road programs are properly included in the analysis. It is more important to note that comparisons of the miles contained in the President's Budget to the actual miles constructed is really not meaningful. Due to changes in the resource programs and the road projects to support them in the final appropriations, the miles can vary significantly, as noted in the FY 1987 figures.

It should also be noted that changes occur due to updated plans of work.

Annual program formulation is initiated by Forests and Regions 20 months in advance of the budget year and is based on overall resource program direction and policy. Several program levels are developed within an overall funding constraint for each level. Because the activities (such as planning, locating, surveying, and designing) within transportation development cover a 3-5 year period, the data used in the formulation is programmatic (total engineering support dollars and miles or new construction dollars and miles, as an example) rather than specific project level detail, since final costs and specific projects are in various stages of completion. Any refinement of costs beyond this level of estimating would be guesswork and not cost effective. When a program level is finally selected, that is the data which appears in the Budget Explanatory Notes (which is normally presented 9 months prior to the beginning of the budget year.

During the period after the Budget Explanatory Notes are published and prior to Congressional action, each Forest Service region updates its plan of work based on its tentative overall allocation. This update reflects their latest estimates for the work, plus any changes such as claims, modification of timber boundaries, appeals, or public input.

This update, plus changes directed in the appropriations bill are some of the factors that result in targets differing from those published in the President's Budgets.

72. Question: It seems to me that this 3,355 excess road mileage numbers argues strongly for a reduction in the forest roads program -- rather than an increase of $20 million from your FY 1987 request.

Answer: As explained in the previous response, there is not a build up of excess miles of roads. The request for FY 1988 for the Forest Road Program is the amount required to directly support the resource management activities contained in the President's Budget.

LAND ACQUISITION

73. Question: Mr. Dunlop, with respect to the acquisition of land within the National Forest System for recreation purposes and natural resource protection, we understand that you have recently been advocating a modified approach to such acquisitions. Please explain your current policy.

Answer: In this period of fiscal austerity, it seems especially necessary for those of us who are policy makers to do all we can to reduce Federal spending. One area of spending reduction which seems appropriate for scrutiny by the Executive Branch is land purchase. Progress cannot be achieved if land acquisitions by the Forest Service are viewed as isolated activities unrelated to one another or to sound forest management.

In the past few years, there has been substantial Congressional earmarking of appropriations for specifically named parcels or projects. Frankly, this practice does not seem consistent with arriving at decisions based on overall management priorities, resource capabilities, fair and unbiased land appraisals, agency costs and maximum return on limited taxpayer dollars.

We are not unmindful of the need to make adjustments and acquisitions of land in certain situations on individual national forests. Such adjustments and acquisitions can improve management efficiency by consolidating national forest holdings and can increase public benefits through acquisition of certain types of lands that are in high demand for recreation and other public uses. Such decisions should be arrived at as a result of a process that considers the public benefits which accrue from adding a particular parcel to the National Forest System -- as well as the need to reduce Federal spending. Public support for adding a particular parcel is an important consideration, but not a overriding one for that reason.

In evaluating possible land acquisitions and adjustments, it seems entirely appropriate for the Executive Branch to exercise the lawful authority it possesses to ensure that all reasonable alternatives to reduce Federal expenditures are fully explored. In this regard, I have asked the Forest Service to give priority to land exchanges as the preferred method of acquiring lands which analysis indicated should be in national forest ownership. Land exchanges have a distinct advantage in being cost effective, as well as in reducing or eliminating adverse impacts on the local tax base. In addition, the land area administered by the Forest Service remains relatively unchanged.

Donation of land is also an option that we believe should be considered. This reduces direct federal acquisition costs and, for some landowners, the tax benefits can be substantial. Donation of the land can be made in fee, or a partial interest in the land can be donated, such as a scenic easement.

Acquisition of a partial interest (through either purchase or donation) can provide benefits to both the landowner and the Federal government. This can provide assurance that land will not be used in a manner adverse to the public interest, while allowing the owner to occupy the land and otherwise retain the benefits of ownership. Adverse impacts on the local tax base are also reduced.

Another option is acquisition of land at less than fair market value, with the owner donating the difference. This option reduces federal acquisition costs, while providing potential tax benefits to a landowner.

We would prefer actions which do not result in a net increase in the Federal estate. Therefore, our lowest priority is placed on out-right purchase of land for cash. We believe purchase is a viable option only where no other reasonable options exist and a compelling case can be made that it is imperative that a particular parcel be acquired. Federal land purchases are extremely expensive, reduce the local tax base, and add to the substantial land base already under Federal control, further adding to national forest management costs in perpetuity.

Where our analysis indicates that it is in the public interest for the Federal government to acquire a parcel, and that the only reasonable option is to acquire by purchase, our strong preference is to identify such acquisitions and prioritize them on an agency-wide basis. In that way, limited Federal dollars can be put to the best use. Congressional earmarking of individual tracts for purchase runs counter to his objective. It also has the disadvantage in that Congress may sometimes establish prices which exceed fair market value. For these reasons, Congressional earmarking is a practice about which we have very serious concerns.

I believe we could contribute enormously to better public policy in this area if the Committee, the Congress, and the Executive Branch could come to an understanding that would give highest priority for appropriations to those land acquisition programs which meet in greatest numbers the criteria I have suggested. Of course, such an understanding would of necessity be based upon a request by the Executive Branch for an appropriations level sufficient to permit the Forest Service to conduct an ongoing acquisition program. As you know, this has not been the case since the 1981 moratorium. I believe both the Executive Branch and the Congress would do well to consider this new methodology I suggest.

Mr. Dunlop, for several years the administration has failed to include a request for Land and Water Conservation Fund appropriations for land acquisition in its budget requests, in spite of the fact that the Congress has consistently provided at least modest appropriations in this account.

The administration has also requested on more than one occasion, rescissions of funds from this account, in spite of the fact that the Congress has consistently restored these funds.

Now your policy appears to suggest further delays in land acquisition progress because of your perception that these programs require scrutiny and evaluation.

74. Question: Can you offer this Committee any good reason to believe that your policy represents anything more than yet another attempt to delay acquisition for Congressionally authorized and appropriated projects?

Answer: This policy represents my best thinking in accomplishing needed landownership while exploring all reasonable adjustment alternatives in the effort to reduce Federal expenditures. I can assure the Committee that my suggestions are a sincere attempt to overcome the kind of delay you have described.

Let us examine a particular project in which this Committee has considerable interest--the Appalachian Trail program.

As you know, this program has very clear authority under the National Trails System Act.

No doubt, you are also aware that this Committee and the Congress as a whole have provided consistent funding for this program for many years--more than $8 million since 1981.

Perhaps you are even aware that this Committee has expressed through report language on several occasions our increasing concern with the lack of progress in this program, especially as it relates to high priority acquisitions along the Trail right-of-way.

75. Question: Is there any doubt in your mind about our sincerity in wanting to see this program completed in the very near future?

    Answer: No. There is no doubt in my mind about your sincerity in wanting to see the acquisition program for the Appalachian Trail completed in the near future. We are certainly in agreement on this issue. Since the rescission expired, we have purchased 3 tracts needed to protect the Trail.

Apparently a clear authorization, consistent funding, and Congressional direction through report language is still not producing adequate results in this program. The Committee would like to cooperate with you to the fullest extent in achieving timely completion of this program.

We are particularly concerned with assisting you in addressing priority acquisitions in the Appalachian Trail program. We understand that approximately 45 parcels of land remain to be acquired to provide a protected right-of-way for the Trail.

76. Question: We would like you to provide us with a thorough report describing each of these remaining right-of-way acquisitions, the status of negotiations, and your recommendations for action to acquire each property. The report should include your estimate of the funds necessary to complete both these acquisitions and any other acquisitions necessary to provide an adequate protection corridor for the Trail within a reasonable time frame--perhaps two to three years. Since we are confident that you share our interest in addressing the needs of this program in a timely manner, we would like to receive your report within 45 days of this date.

    Answer: We will furnish you a thorough report of the remaining acquisition needs of the Appalachian Trail project within 45 days.

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

RPA AND LAND MANAGEMENT PLANNING

The Conference Report for FY 1987 included language directing the Forest Service to provide to the appropriate Congressional Committees by March 1, 1987: (1) a detailed breakdown of Forest Service Washington Office and field office funding and staffing that are to be spent annually in preparing the 1990 assessment and the 1990 program; (2) a detailed breakdown of Forest Service Washington Office and field office funding and staffing that are to be spent annually in preparing the land management plans; (3) a detailed analysis of the factors that have resulted in the national forest plans differing from the RPA goals. To this date, this Committee has received none of this analysis.

77. Question: Could you please explain the delay and indicate when we might be receiving this information?

    Answer: This information was forwarded to Congress on March 27, 1987.

78. Question: The Forest Service has come under a great deal of criticism for the submittal of both low bound and high bound recommendations in the 1985 program. Please give a detailed explanation of how you will implement the program, particularly in view of the lack of direction provided in your two-pronged approach?

Answer: The 1985 RPA Program was presented to Congress as a range. The High Bound of the range responds immediately to the long-term resource needs shown in the Assessment. The Low Bound defers this response to the Assessment because of the national fiscal situation and the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985. This range of options provides Congress the flexibility to determine annual budget priorities in relation to overall national priorities.

The High Bound and Low Bound of the RPA Program clearly indicates the tradeoff depending on the chosen budget strategy, and therefore are valuable benchmarks for Congressional budget considerations. The Forest Service intends to utilize the bounds of the 1985 Program to describe the outputs, impacts, and tradeoffs as annual budgets are presented to Congress.

The Chief's annual budget instructions to the field directs that incremental changes for budget preparations be tied to the High Bound of the 1985 RPA program.

79. Question: Please explain the relationship between the RPA program and the national forest plans?

Answer: The RPA Program provides national long-term forest policy guidance. RPA provides a national perspective for Forest Service programs, by bringing together National Forest System, State and Private Forestry, and Research activities. It also provides a framework for Congressional and Research activities and Congressional review of program and budget accomplishments by the Forest Service. It is the national long-range program and policy-setting process for the Forest Service.

The sum of Forest Plans and the RPA Program is not expected to be exactly the same because they are prepared from a different base and in different contexts. Both provide long-range resource management direction and rely on forest level data; Forest Plans primarily reflect local and Regional issues and perspectives; the RPA Program responds to national goals and direction. It is not realistic to expect so many independently prepared plans to mirror the outputs shown in RPA but, they are expected to fall within the program range of RPA.

Most forest plans contain sufficient flexibility to meet long-term RPA resource targets, and if necessary, adjustments can be made during the next round of forest planning. Similarly, specific changes in Forest-by-Forest capability can be included in subsequent RPA Program analyses.

Thus, the provisions in the law for periodic updates of forest plans and the RPA Program provide a mechanism to account for changes in funding, production capability, and resource needs without the need for continued interim alterations. It is not anticipated that modifications will be needed more frequently than the scheduled updates.

Future RPA Programs will use more precise Forest resource data and analyses to bring closer correlation between Forest Plans, RPA Programs, and annual budgets.

Since Forest Plans should be completed before the 1989 RPA Assessment and the 1990 Program deadline, a stronger tie and easier traceability is expected between the 1990 RPA Program and forest plans.

80. Question: A review of the forest plans shows the plans are falling short of RPA goals in many resource areas. If the long term goals set forth in the RPA are not implemented through the Forest Service's key on-the-ground management document, is RPA really a useful exercise?

Answer: As explained earlier, the sum of the the forest plans, and the RPA Program is not expected to be exactly the same. The Forest Plans respond primarily to local concerns, issues, and opportunities, while the RPA Program responds to national considerations, such as national trade and export policies, national fiscal concerns, and national level resource demands.

Our review of the final forest plans indicates that the projected goals and outputs are reasonably close to the 1985 RPA Program projections.

Since each Forest Plan considered an RPA alternative they may explain the similarities between RPA and forest plans, and this supports the importance of national program planning establishing goals and objectives for forest plans.

QUESTIONS SUBMITTED BY SENATOR JOHN C. STENNIS

SOUTHERN PINE BEETLE RESEARCH

We have a serious problem down home with a beetle that is doing a good deal of damage to our pine trees. Nobody is sure exactly where the southern pine beetle came from, or how it got to us, but we are all too aware of the destruction it causes. I have personal knowledge of this pest because it has gotten into a relatively small timber stand of my own.

We have been dealing with this beetle for several years, but no one can tell me yet how to get rid of it, or even how to effectively suppress it and keep it from spreading once it is spotted.

I understand the Forest Service has been studying this problem for a while.

81. Question: What progress, if any, has been made in finding a way to effectively deal with the southern pine beetle?

Answer: Research has been very successful in elucidating those forest stand and site factors that favor outbreaks of southern pine beetle. Based on this information, guidelines for preventing damage have been developed. These guidelines call for managing southern pine stands to maintain vigorous growth and preventing over maturity and over stocking. If fully implemented, these guidelines should effectively prevent major epidemics. Unfortunately, a high percentage of the southern forests are not managed according to these guidelines and epidemics are a periodic occurrence.

Research has also developed guidelines for suppressing epidemics. These call for aggressive, early action to treat infested trees or remove them from the forest before new generations of beetles can emerge and infest more trees. Computer programs have been developed to help forest managers decide which spots (groups of infested trees) should receive priority and which ones can be let go to die out naturally. A "cut and-leave" tactic is also available. It calls for cutting infested trees plus buffer strips of uninfested green trees. This tactic disrupts the natural expansion of infested spots and is believed to reduce overall losses. Unfortunately these tactics, although they reduce losses, are not as effective and cost efficient as desired.

82. Question: What is in your budget request for fiscal year 1988 for additional research?

Answer: The Forest Service has no request for additional funding of research on the southern pine beetle in FY 1988 beyond a small increase to cover increased costs due to pay act and changes in retirement benefits.

83. Question: How much more could you effectively use, without wasting any, to have a complete southern pine beetle research program next year?

Answer: The FY 1988 President's Budget already provides for the highest priority research and the most appropriate balance of research efforts among the broad range of insect and disease pests that must be addressed by the Forest Insect and Disease Research program. If the Congress wishes to redirect funding from other Forest Insect and Disease Research projects, up to $1,010,000 could be effectively used to expand research on the southern pine beetle in FY 1988. The objective of this additional research would be:

1. to improve our understanding of beetle population dynamics, which would enhance our ability to predict population changes, and the onset and collapse of epidemics;
2. to study the effect of current control techniques on population behavior and the proliferation of spot infestations (groups of infested trees);
3. to develop improved techniques for controlling southern pine beetle damage in a cost effective manner; and

4. to improve understanding of the impact that southern pine beetle damage and efforts to control it have on the survival and well-being of the red-cockaded woodpecker.

FOREST RESEARCH STAFFING

The United States Forest Service has some excellent research laboratories around the nation. I am most familiar with those that are in my part of the country, although I am proud to have been a part of establishing all of them, along with former Senator Hayden.

We had certain goals in mind when we started those laboratories and watched them grow as we approved additional funding for more research and extra scientists. I am concerned over the reductions in staff levels that I have observed over the last decade in the laboratories of the Southern Forest Experiment Station.

84. Question: Are these reductions in line with reductions in staff levels of the Forest Service nationwide?

Answer: As shown in the following table of Forest Research staffing in Scientist Years (SY's) from FY 1972 to FY 1987, the number of SY's at the Southern Station has fluctuated in concert with the number of SY's in the nation-wide Forest Research program. From 10 to 11 percent of the total Forest Research scientists years have been in the Southern Station from FY 1976 to the present.

Scientist years consists of research professionals, GS-11 and above directly associated with a specific research work unit, and responsible for independent scientific study through originality, judgement, and accomplishment directly assignable to the research work unit.

Forest Research Staffing (Scientists Years) at the Regional Forest Experiment Stations, by Fiscal Year:

Fiscal Year	Southern Station	Total Forest Research
1972	109.0	939.7
1973	102.5	954.7
1974	105.5	932.2
1975	105.0	924.4
1976	102.2	948.4
1977	96.1	948.8
1978	100.6	962.1
1979	101.8	941.9
1980	102.4	964.1
1981	98.9	958.3
1982	97.8	908.9
1983	89.0	837.7
1984	88.9	812.6
1985	85.9	800.0
1986	80.3	746.7
1987 est.	81.3	766.8

85. Question: Could you provide for the record, if you do not have the figures now, a history of staff levels for your forestry research program? It would also help to have this information broken down by individual laboratory.

Answer: As shown in the previous table, the staffing in scientist years (SYs) at each of our regional Forest Experiment Stations was fairly stable from FY 1972 until FY 1981, varying from approximately 930 to 960 scientists years. The number of SY's dropped 22 percent from after FY 1981 to the low point in FY 1986. The number of scientists years in the Forest Research program increased slightly in FY 1987. The proposed FY 1988 budget would reduce the number of scientist years in the program back to approximately the FY 1986 level.

The following table shows the current staffing at Forest Research facilities:

STATUS OF STAFFING OF FOREST SERVICE RESEARCH FACILITIES
As of February 24, 1986
(Expressed in terms of scientific personnel)

Existing Facilities-Forest Service Owned

Location	Total in Use (Scientists) FS Research	Cooperators
Alabama:		
Auburn	7	
Alaska:		
Fairbanks	12	2
Arizona:		
Flagstaff	8	
Tempe	12	
California:		
Arcata	7	
Fresno	4	
Riverside	30	
Colorado:		
Ft. Collins	30	5
Connecticut:		
Hamden	11	
Florida:		
Olustee	6	1
Georgia:		
Athens	24	
Macon	16	3
Idaho:		
Moscow	16	6
Boise	5	
Illinois:		
Carbondale	10	
Kentucky:		
Berea	5	6
Louisiana:		
Alexandria	17	2
Michigan:		
Houghton	4	

STATUS OF STAFFING OF FOREST SERVICE RESEARCH FACILITIES
As of February 24, 1986
(Expressed in terms of scientific personnel)

Existing Facilities-Forest Service Owned

Location	Total in Use (Scientists) FS Research	Total in Use (Scientists) Cooperators
Minnesota:		
Grand Rapids	9	
St. Paul	30	14
Mississippi:		
Gulfport	10	
Oxford	3	
Starkville*	8	
Stoneville	7	1
Montana:		
Bozeman	4	2
Missoula	30	2
Nebraska:		
Lincoln	6	
New Hampshire:		
Durham	17	10
North Carolina:		
Asheville	21	
Research Triangle	11	
Franklin	3	
Ohio:		
Delaware	20	6
Oregon:		
Bend	5	2
Corvallis	28	120
LaGrande	13	2
Pennsylvania:		
Warren	7	
Puerto Rico:		
Rio Piedras	4	4

* The Forest Inventory and Analysis Research Work Unit was moved to Starkville to permit more close cooperation with the university and several scientists are housed in temporary buildings.

STATUS OF STAFFING OF FOREST SERVICE ~~RESEARCH FACILITIES~~
As of February 24, 1986
(Expressed in terms of scientific personnel)

Existing Facilities-Forest Service Owned

	Total in Use (Scientists)	
Location	FS Research	Cooperators
South Carolina:		
Charleston	6	
South Dakota:		
Rapid City	7	2
Tennessee:		
Sewanee	2	
Texas:		
Nacogdoches	2	11
Utah:		
Logan	9	
Provo	8	1
Vermont:		
Burlington	9	
Washington:		
Olympia	12	3
Wenatchee	4	6
West Virginia:		
Morgantown	7	12
Parsons	5	4
Princeton	9	
Wisconsin:		
Madison	83	20
Rhinelander	15	
Wyoming:		
Laramie	5	1

86. Question: Have these reductions been the result of reduced needs in forestry research, or have they merely been attempts to reduce the Forest Service budget level~~s~~?

Answer: Decisions on the priority for the research conducted by the Forest Research program is placed within the context of the priorities for Federal spending in a broad array of programs throughout the Nation. As existing lines of research reach logical points of termination, the continuation of those lines of research as well as initiation of research on emerging issues must be compared with the priority for other expenditures of Federal funds.

The FY 1988 budget request provides for adequate funding for research on important and emerging issues, including six Forest Research initiatives. The combined funding for these initiatives in the FY 1988 President's Budget is $25,459,000. The increased funding for most of these initiatives in the FY 1988 President's Budget proposals demonstrate their priority. Those initiatives include:

1. Forest-atmosphere interactions: The effects of atmospheric deposition on natural ecosystems are a major policy issue, the decision on which could significantly affect the costs of energy generation, international relationships, and potentially the health of the natural ecosystems. Research results from this initiative can contribute substantially to an informed resolution of this policy issue. The atmospheric deposition issue is also an example of a much broader set of issues concerning forest-atmosphere interactions.

2. Wildland/Urban Interface: The encroachment of large urban populations into forest lands creates significant opportunities to provide recreational opportunities to increasing numbers of people, but at the same time creates potential recreation and fire management challenges. This research initiative will provide information to assist land managers in capturing the opportunity to serve greater segments of the population while avoiding the fire and site deterioration hazards that could result from this greater wildland/urban interaction.

3. International Trade in Forest Products: International trade in forest products has increased considerably in recent years and the U.S. has become a significant net importer of forest products, creating a forest products trade deficit of $6 billion in 1985. Research resulting from the international trade initiative will provide information on the impacts of international trade on domestic markets, barriers to greater forest products exports, and the ability of the U.S. to economically compete with other suppliers in international markets.

4. Biotechnology: Biotechnology provides the opportunity to provide advances in tree growth and pest control much more quickly and more cost effectively than conventional research methods. Forest Service biotechnology research will focus on improvements in tree growth, insect and disease control methods, and methods of wood processing that are lower cost and less environmentally hazardous than current methods.

5. Wildlife-Timber Interactions: Protection of wildlife species and the desire to produce timber products often come into conflict. Without improved understanding of these interactions, timber harvests are often severely restrained in an effort to provide the protection these wildlife species require. This initiative will study the habitat requirements of a number of important wildlife species, such as the spotted owl, the grizzly bear, the red-cockaded woodpecker, elk, and deer, and particularly the impact of timber management on those habitats. Research on these critical interactions could lead to significant increases in timber harvests while still protecting the wildlife populations.

6. Southern Forest Productivity: The timber in the South has been seen as the woodbasket from which America's forest product needs would be met as the timber supply in the West was constrained. The South's potential is still great, but is clouded by recent problems with timber growth reductions, insect and disease losses, and increasing concerns about the impact of timber harvests on the environment and other forest land outputs. Research in this initiative will provide needed information to manage competing vegetation; the interactions between timber harvests and wildlife, fish, and water outputs; the causes for land use shifts; insect and disease control methods; and improved harvesting and utilization techniques.

87. Question: What would be the funding requirement to bring forestry research programs of the U.S. Forest Service up to full capacity with adequate staff?

Answer: The 1985 Update of the "Recommended Renewable Resources Program: 1985-2030." identifies a two tiered Forest Research program. The first tier is composed of a "Base Program" costing $120 million (in 1988 dollars) devoted to developing technologies to provide for productivity gains; product quality improvement; environmental enhancement, and baseline environmental data for forest management.

The second tier includes "Research Initiatives" costing $53 million (in 1988 dollars) that address a broad array of emerging research issues, such as biotechnology, atmospheric deposition, integrated pest management, softwood production in the South, and international trade in forest products. That total program could address a significant amount of high priority research for a total cost of $173 million--an amount far in excess of anything the Administration or the Congress has seriously considered spending. This has placed a premium on setting priorities by rigorously applying objective criteria.

SOUTHERN BOTTOMLAND HARDWOOD RESEARCH

As you know, southern bottomland hardwood forests are excellent producers of certain wood products, they are outstanding providers of habitat for wildlife, and they are important to flood control and water quality. They occupy more than 30 million acres and with fertile soils, abundant rainfall, and long growing seasons, they rank among the Nation's most productive forest sites.

Past research on bottomland hardwoods has provided valuable information on regeneration and early development of trees in both plantations and natural forests. Much of the ongoing work has been done by only three scientists in the timber management work unit at the Forest Service's Southern Hardwoods Laboratory in Stoneville, Mississippi.

There is a pressing need by many user groups to have information or natural stand growth and yield and on a balanced program to maximize the joint production of wildlife and timber. Unfortunately, the three scientists in Stoneville are not able to continue their important work and address these needs also.

Through my discussions with land owners, scientists, and forest industry leaders in Mississippi, I have become convinced that there is a strong need for an additional silviculturalist, a soil scientist, and a scientist with a background in animal and plant biology.

88. Question: Have you reviewed these needs, and if so, what can be done within your existing budget to add these positions to the three that are already located in Stoneville?

Answer: The Southern Station has reviewed the research program at Stoneville and a new five year plan was prepared in May 1986 for the Silviculture unit. This plan is based on having at least three scientists in the unit. The Station feels that the highest priority current need is for an additional scientist with ecological training. The ecologist would pull together, and use in a modeling effort, research findings developed at the Stoneville Lab, the Fish and Wildlife Service, the Waterways Experiment Station (Corps of Engineers), and universities. We believe that ecological research would accelerate the application of available technology and help reduce conflicts between timber management interests and other resource users. The Station has advertised for such a position and we hope to fill the position soon. The existing budget will not allow the Station to add a silviculturalist, soil scientist, or animal/plant biologist.

89. Question: If you do not currently have the funds to fill these positions, what level of funding would be required in FY 1988 to support three additional scientists at the Southern Hardwoods Laboratory?

Answer: With an annual cost of $150,000 per scientist, including support services, the addition of three scientists to the Southern Hardwoods Laboratory would require the redirection of $450,000 from other activities.

NATIONAL MARKETING INITIATIVE

Last spring the National Association of State Foresters developed a marketing initiative and presented it to Congress with the request that it be funded at $5 million annually for five years. We did not provide funding for that initiative but, as you know, called for further study of the proposal.

That study, conducted jointly by the Forest Service and the National Association of State Foresters, was presented a few weeks ago, with some excellent recommendations for implementation. It calls for a National Marketing Initiative Plan to "expand trade opportunities and the range of markets for forest products to improve overall national economic conditions."

90. Question: What are your thoughts about this plan and its potential as a viable marketing tool?

Answer: The National Marketing Initiative Plan explores a flexible approach that could address the problems identified in the report. However, the National Association of State Foresters has recommended the expenditure of up to $25 million in Federal funds over the next 5 years for this activity. Such new spending must be weighed against numerous other activities that has faced budget reductions in recent years. Numerous other commodities compete in National and international markets and the industry has financed research and promotion activities with minimal Federal financial investment.

91. Question: What is in your current budget request that can be used for this purpose?

Answer: The 1988 President's Budget does not provide funding for the national marketing initiative.

QUESTIONS SUBMITTED BY SENATOR DENNIS DECONCINI

STAFFING ON ARIZONA NATIONAL FORESTS

92. Question: During oversight hearings I held in Arizona last summer I noted that Arizona forests lost about 200 FTE's between 1982 and 1986. Testimony indicated there were approximately 2,440 FTE's in Arizona in July, 1986. Servicewide, the Forest Service is scheduled to lose 1,649 FTE's in FY 1987 and an additional 1,009 in FY 1988. How many more FTE's will Arizona forests lose in FY 1987? In FY 1988?

Answer: National Forests in Arizona actually had 1,208 FTE's in FY 1986. 2,440 was the estimated use for all of Region 3 for FY 1986. Estimated use for the National Forests in Arizona for FY 1987 is the same as FY 1986. We estimate that Arizona useage in FY 1988 will decrease by approximately 48 permanent FTE's.

BUDGET IN GENERAL

93. Question: With the overall budget reduction of $399 million proposed for FY 1988, how can the Forest Service keep up with the increasing public use demands that are being placed on the forests?

Answer: The primary difference between the 1988 President's Budget and the 1987 Appropriations are changes in policy. These changes will not have a substantial impact on our ability to keep pace with the increased public use demands. They are:

1. A reduction in payments to States of $247,823,000. The 1988 budget proposes to change the basis for payments to States from a sharing of gross receipts to a sharing of net receipts. The primary reason for this proposal is that the current law distributes 25 percent of the gross receipts, without taking into account the cost of producing these receipts. In some cases, receipts do not cover the costs of production. Further, receipts sometimes are not cash revenues, but are credits, such as purchaser road credits and Knutson-Vandenberg collections. In effect, the Federal government bears all the costs while the State and local governments are encouraged to support development activities on Federal lands, regardless of the costs. We believe it is only sound business practice to deduct costs from gross revenues before sharing profits.

2. A reduction in the land acquisition appropriation of $48,329,000. The Forest Service will rely on actions other than purchase, such as land exchanges to acquire high priority tracts. We would prefer actions which do not result in a net increase in the Federal estate. Therefore, our lowest priority is placed on out-right purchase of land for cash. We believe purchase is a viable option only where no other reasonable options exist and a compelling case can be made that it is imperative that a particular parcel be acquired. Federal land purchases are extremely expensive, reduce the local tax base, and add to the substantial land base already under Federal control, further adding to national forest management costs.

3. A reduction in fighting forest fires of $124,000,000. The 1988 budget includes $1 million for the cost of firefighting. This will be followed by a supplemental request, after the fire season is over, to reimburse actual costs.

94. Question: It is my understanding, that service levels have been maintained by using what is called "Human Resource Programs" for about 25% of total operations. Yet volunteer participation is not increasing, and with a $399

million reduction, how can the Forest Service continue to maintain an adequate service level?

Answer: As explained in the previous response, the primary reduction between the 1988 President's Budget and the 1987 Appropriations are changes in policy. The 1988 President's Budget provides for a level of service consistent with 1987 service levels.

LAND MANAGEMENT PLANS

95. Question: The preferred alternative for Forest Service land management plans in Arizona requires annual budget outlays of approximately $59 million. That represents a 24% increase over their FY 1987 budget. If this is the case in Arizona, I assume it is a general problem nationwide. How can they meet the goals outlined in these new land management plans with decreasing funds?

Answer: Forests will have to implement plans within funds appropriated. Forest plans are 10-15 year plans. Activities and projects that cannot be implemented as scheduled in the plan, due to budget constraints, will be delayed and rescheduled until a later time in the planning period. Budgets can be higher or lower for individual years, but low budgets over several years may cause plans to be amended. However, the key decisions in Forest Plans are the standards and guidelines and designation of management areas. The program objectives have more flexibility.

RECREATION CONSTRUCTION

96. Question: What affect will the 9.1 million budget reduction for recreation construction have on development of campgrounds and other recreational facilities? This follows a $6 million decrease from FY 1986. I am advised that five campgrounds cost in the neighborhood of about $3 million in capital investments.

Answer: We have included a recreation initiative in our RPA program at both the High Bound and Low Bound levels to address the backlog of deferred maintenance. Funding for the recreation construction for FY 1986-1988 is as follows:

1986	1987	1988
$10,895,000	$16,909,000	$7,780,000

The administration recognizes the need for increased emphasis on recreation construction. The funding in the FY 1988 President's Budget is an increase over the amount requested in the FY 1987 President's Budget, although it is a decrease from actual FY 1987 appropriations.

The 1987 Appropriations included a special initiative of $10 million for high priority recreation facility rehabilitation with the first emphasis to be on health and safety related projects.

The decrease in FY 1988 from the actual FY 1987 appropriations will merely extend the number of years over which the recreation initiative is spread.

RECREATION MANAGEMENT

The individual forests and regions have prepared land management plans which shift the focus to recreational uses. The hearings this summer revealed that recreational uses are up 40% in these plans. Yet, the budget justifications indicate a decrease in PAOT's (persons-at-one-time that a site can safely and reasonable accommodate times the number of days in the managed season) of 11.6 million from FY 1987 to FY 1988. This follows a decrease from FY 1986 to FY 1988. The total decrease in two years is from 109.7 million PAOT's to 92.4 million PAOT's--this is a significant decline in availability of facilities. This is especially disturbing in light of the fact that the forests have a capacity of providing 158 million PAOT's; well over one third more than the budget allows for.

97. Question: I guess the obvious conclusion is that with the present budget request, significant activities proposed under the plan will not move forward. Am I correct?

Answer: The actual PAOT's produced in FY 1986 was 108.9 million. We are optimistic that in the near future, national budget constraints will allow additional emphasis to be placed on recreation management. The tourism industry is one of the top three industries in relation to employment in 39 States. National Forest are a significant contributor to that industry in 34 States. We intend to continue to strongly support that industry in those States through the recreation use that occurs on the National Forests.

I am told (for Arizona) there is a yearly need, to meet the preferred alternative in the land management plans, of approximately $1.6 million for recreation activities. I learned at the hearings last summer that, for example, on the Apache-Sitgreaves National Forest, only $622,000 was budgeted for FY 1987 recreation. The Coconino needed $1.2 million, yet it only received $559,000. The Prescott showed a need for $750,000, yet received $390,000. This funding levels reflects about 1/2 of the need to meet the preferred alternative--an alternative which represents a compromise between budget realities and maximum funding. Servicewide, recreation-related activities require $7.9 million annually, yet only $3.6 million was budgeted in FY 1987.

98. Question: How can this money be expected to meet these needs and demands? When and how does the Forest Service expect to meet the goals outlined in the land management plans?

Answer: One of the key purposes of planning is to determine the demands of the public in relation to the existing supply and then chart a course that over time, brings the two into appropriate balance. We do not pretend that we are currently meeting the needs in Arizona, nor that we will get there in one year. As one of the fastest growing States in the Nation, coupled with a high percentage of Federal lands, the seasonal demands for climatic relief and year long needs for open space recreation, greatly increases the impact on National Forest. In our RPA program, we have outlined a program over a 15 year period that will eliminate the backlog and maintain project growth.

CONCESSIONAIRES

99. Question: The hearings also revealed that many campgrounds have restricted seasons--Memorial Day to Labor Day-- and others are open only through the use of concessionaires. This has led to a reduced level of service in terms of information and facilities. Does this program benefit the Forest Service in any way besides relieving you of the administration and maintenance of these facilities?

Answer: In most cases, the use of concessionaires does benefit the Forest Service. Facilities under special-use permit have been kept as clean as when they were being maintained by the Forest Service. On some units, round-the-clock residency by caretakers has insured better fee compliance. This presence also provided a feeling of increased security for campers. It has provided a balance in operations for concessionaires who have other adjacent or nearby facilities.

100. Question: Does the Forest Service realize any income from these concessionaires?

Answer: No, the Forest Service does not realize income from these concessionaires.

101. Question: Does the Treasury realize any?

Answer: Yes, the Treasury does realize income. The concessionaire pays a percentage of gross receipts to operate on National Forest System lands. This is returned to the treasury.

102. Question: Are the facilities operated by concessionaires operated any less efficiently?

Answer: The field reports that concessionaires generally are as efficient as Forest Service crews.

ROAD CONSTRUCTION

103. Question: What affect will the $30 million reduction in road construction funding have on proposed timber harvests?

Answer: Budget levels in road construction do not affect the timber harvest. The annual timber harvest is the result of purchasers' planned activities for previously purchased timber sales. The Forest Service has a contractual obligation to provide the support required for the harvest accomplished by timber purchasers on an annual basis.

The final appropriation for FY 1987 road construction included a $15 million special initiative which Congress directed to be used for advanced road engineering and design to enable the Forest Service to maintain the option of continuing historic sale levels.

TRAIL CONSTRUCTION

104. Question: What affect does the $277,000 reduction in trail construction funding have on the need for increased recreation usage in National Forests, where trails are already inadequate?

Answer: We will temporarily postpone some heavy construction work that could only be done through contract or by regular Forest Service employees. We will continue our efforts to increase the use of volunteers and other human resource programs to keep as many trails as possible, open for public use.

105. Question: Why is there a disproportionate decrease in trail construction? Miles are decreased by almost 25% in FY 1988, yet the budget is reduced by 4%.

Answer: This disproportionate decrease in trail mileage is due to the types of construction planned for FY 1988 such as major bridges and difficult rock projects and the amount of trail work within classified areas that have a higher unit cost.

LAND ACQUISITION

106. Question: Why are there 80 FTE's in land acquisition, when there is no real money or activity planned? In FY 1987, there were 81 FTE's, and a budget of $52,236,000 to acquire 78,150 acres; yet in FY 1988, there are 80 FTE's and a budget of $3,907,000 to acquire 0 acres. What are those people going to be doing?

Answer: The 80 FTE's in FY 1988 are needed to work on cases involving carry over funds from prior year appropriations, for the closing of cases existing in FY 1989, and to execute land exchanges that involve lands that would be Land and Water Conservation Fund type acquisitions.

FEDERAL EMPLOYEES RETIREMENT SYSTEM (FERS)

107. Question: What percent of the total budget is needed to cover FERS expenses?

Answer: The 1988 President's Budget is $1,908,923,000. The cost of the new Federal Employees Retirement System is estimated at $61,668,000 or 3.2 percent of the 1988 Budget.

RECREATION USER FEES - PROPOSED LEGISLATION

The representatives of the Forest Service who testified at the Arizona hearings last summer felt that the share of the revenue of Arizona forests would be approximately $1.2 million, and the costs to operate Arizona recreation facilities would be approximately $1.2 million. The revenue would literally cover the costs to implement the fees.

108. Question: Where does the public benefit in this approach? If you ask the public to pay more, I think we have a moral obligation to provide something more to the public.

Answer: The public will benefit from expansion of the user fee system by: (1) additional focus on the fact that recreation/tourism is big business and thus deserves more attention, (2) additional funding for maintenance of existing sites and facilities, and (3) better maintained sites and facilities which enhance the quality of the outdoor recreation experience.

109. Question: Since needs are not being met on many of the forests, wouldn't the revenue generated be best spent in the area that generated them for improving recreation, etc?

Answer: Generally, revenue would be spent in the area where it was generated, however, the out-of-the-way/low volume areas are not as cost effective as the high volume forests and areas. Since the out-of-the-way forest recreation experience is what many people are seeking, we want to make sure that they can also be provided.

110. Question: How much will it cost to collect the fees? How much is start up one-time costs? How much is repeated administrative costs? Will the program start out losing money in the first year or so, while start up costs are high?

Answer: We estimate that it will cost $2.5 million each year to collect an additional $13.3 million. One time start up costs should not exceed $.7 million as the collection of fees is an expansion of an existing program. The expanded fee program will be cost effective, even in the first year.

111. Question: If Congress does substitute the fee revenue for other appropriations, and the fees collected are not equal to what is estimated, couldn't the Forest Service then be unable to meet the need for operation and maintenance of facilities?

Answer: Yes, should Congress substitute fee revenue for other appropriations and collections fall short, then the less efficient out-of-the-way facilities might have to be closed. Of course, it is also possible that actual collections would exceed the estimates and there would be increased expenditures for the recreation program. Yet another possibility would be that Congress would not provide for expanded fee collections but, at the same time would reduce appropriated funds due to budget constraints.

112. Question: Can you provide some examples of where user fees would be charged on the forests nationwide? Are there any plans to charge fees for use of Arizona forests?

Answer: Expansion of the user fee program would focus on heavily used recreation complexes where no fees are currently charged, such as boat ramps, day use complexes, heavily used canyons in areas near cities or lake complexes. Fees are currently being charged for camping in Arizona and this would be expanded to include the more popular day use areas generally associated with water use, if the legislation is passed.

113. Question: How difficult would it be to collect entrance fees at most forests? How impractical?

Answer: Because National Forests have many access points it would be very difficult to collect entrance fees at most National Forests. It would only be practical to charge an entrance fee to the more popular sites and areas with limited access.

BUDGET RESTRUCTURING

114. Question: How much does it cost the Forest Service to prepare for budget requests, hearings, etc... each year? That would result in a savings of how

much to have a biennial budget process? Is this more practical in your point of view?

Answer: The Forest Service currently spends $6 to $8 million each year on budget preparation and presentation. This does not include costs incurred by the Department, OMB, and the Congress. Converting to a biennial budget process would save the Forest Service approximately $3-4 million on an average annual basis. For the Forest Service, this would be a more desirable approach than the current process.

115. Question: Would a budget format based on targets and goals for each activity within each forest be more realistic and more manageable than the 52 line item budget the Forest Service currently uses? Could these targets be made specific enough to allow Congress, and this Committee, to retain control over funds? Is it true that this sort of budget restructuring will not greatly affect the appropriation process, but would lower costs and increase productivity? How?

Answer: Yes, a budget format based on targets and goals for each activity within each forest would be more manageable than the current 52 line items for each forest. Each target is currently costed out by field units based on actual experience of doing the work. If the target becomes the controlling feature, it would fit right into the current Forest Service management process. If the target can be produced for less than planned, managers could use the cost savings to achieve additional priority work or shift funds to make up for cost overruns in other target areas without going through a long and cumbersome reprogramming process. However, we would recommend that the targets and goals be delineated in Committee Reports and Budget Justifications for national totals only and not forest by forest. Forest by forest detail would be inefficient and would drastically increase the cost of handling budget information.

We believe that Congress will still have adequate control and will be provided the same amount of detailed information that they are now getting. The only change we are proposing is that the Explanatory Notes and Committee Reports that control reprogramming be structured in the new format instead of the 52 line item format. Congress will still get the same detailed information they now get, only the detailed information will not be part of the formal Explanatory Notes (Budget Justification). Supplemental detailed line item information will be available.

This sort of budget restructuring will not greatly affect the appropriations process. However, lower unit costs and increased productivity will occur. An incentive to do things differently and gain increased productivity will be built into the process. During budget execution the local manager will have an incentive to increase efficiency while meeting his targets if he is free to shift some dollars to activities which will give their unit a more balanced program in relation to their land management plan. They do not have this opportunity under the current reprogramming procedures. That is why it is important to focus control on the targets and not detailed line item costs.

SNOW BOWL ROAD

116. Question: Repeatedly, I have voiced by concerns about the need to reconstruct the Snow Bowl road. Short of an actual earmark of funds in your budget, can you suggest any ways in which this road can be funded?

Answer: There are several ways to finance the $5,000,000 reconstruction of the Snow Bowl Road. Alternatives for financing are:

a. Permittee provide all the funds
b. Coconino County provide all the funds
c. Forest Service provide all the funds
d. Forest Highway funds be used for the whole job
e. Cost sharing based on historical use of the road.
f. Funds from other Federal sources.

One cost-sharing arrangement for funding reconstruction of the road is to have the permittee and the County provide 65 percent of the funds needed and to use Forest Highway funds for the remaining 35 percent. Past traffic studies of the road have shown 65 percent of the use is for access to the Snow Bowl Ski Area. The Ski Area does provide economic benefits to Coconino County. Any use of Forest Highway funds would require that the County or the State assume jurisdiction and maintenance responsibility for the road upon completion of reconstruction.

A major limitation with using Forest Highway funds is that all of the funds expected to be available for Forest Highway projects in Arizona for at least the next 12 to 15 years have been committed to the reconstruction of the Grand Canyon Highway, Forest Highway No. 1, which accesses the north rim of the Grand Canyon, and to reconstruct the General Hitchcock Highway, Forest Highway No. 39, which accesses Mount Lemmon from Tucson. These two projects were selected as the highest priority projects in Arizona by the Arizona Department of Transportation, the Federal Highway Administration, and the Forest Service as part of the tri-party agreement.

The Forest Highway agencies have committed $7,200,000 to construct 13.6 miles of Grand Canyon Highway, and $7,300,000 to construct 7.3 miles of General Hitchcock Highway over the next 6 years. We do not propose that the priority of the projects be changed, but the funding mix for the Grand Canyon Highway could be changed. We think it would be appropriate to use Public Lands Highway funds or include some Parkway and Park Highway funds for this project and to reduce the Forest Highway fund needs accordingly. These Forest Highway funds could then be used to reconstruct the Snow Bowl Road. The State and the Park Service would have to agree to this change and the funds would need to be available in the Highway Act. It is also appropriate to use Public Land Highway funds for most of the reconstruction of General Hitchcock Highway.

Our preference is not to use Forest Road Program (FRP) funds for the Snow Bowl Road. If FRP funds are earmarked for 35 percent of this project without an increase in the FRP funding for the Southwestern Region of the Forest Service, we will not be able to construct any other roads in Arizona during FY 1988 with appropriated funds. If the entire project were to be built with FRP funds without an increase in FRP funding to the Region, it would take all the funds the Region would have available for road construction projects for 2 years. This would be a severe impact on the Region's timber and recreation construction programs.

SHEEP BRIDGE

117. Question: In fiscal year 1986, the Congress appropriated $400,000 for the installation of a replica replacement footbridge over the Verde River known as the Sheep Bridge. What is the status of that replacement effort? When do you expect the new bridge to be in place and usable? Are there any problems which have delayed this process?

Answer: The status of the Sheep Bridge is that it has been designed, fabricated and is now stockpiled. At the present time, we do not believe it could be erected until FY 1988. Two problems have created time and funding problems. The first is an overrun in the cost of the design and getting it erected and now that it is stockpiled there is a problem with utilization of the Army to erect it. Originally, the Army was to erect it as a training exercise but now intends to charge approximately $90,000 for the job. As a result of these facts, an additional $170,000 will be needed to complete the job.

118. Question: Is the $400,000 sufficient to replace a replica bridge at the existing site? If not, please explain.

Answer: As explained in the previous response, it would require an additional $170,000 to erect the Sheep Bridge. This would require redirection of other Arizona construction funds.

COMPETITIVE GRANTS

119. Question: With the elimination of the Forestry Competitive Grants program, how will projects currently underway be completed? Will the private sector have to pick up the tab for uncompleted research?

Answer: When a proposal is accepted for funding, the funds are allocated for the duration of the grant. Therefore, if the grants program is discontinued in 1988, funding will still be available to complete research projects currently underway.

RESEARCH BUDGET REDUCTIONS

120. Question: How will the loss of a competitive grants program, combined with other forest research cuts since FY 1986 affect your ability to meet future increasing demands for more recreation, timber and other uses?

Answer: While decreasing levels of Forest Research could adversely affect the cost effectiveness of future resource output levels, the priorities of the Forest Research program have been properly placed within the overall federal spending priorities to provide a balanced package of expenditures. This careful priority setting is particularly important given the current federal budget deficit.

QUESTIONS SUBMITTED BY SENATOR HARRY REID

FOREST PLANS IN NEVADA

Secretary Dunlop and Chief Robertson, thank you for coming before the Subcommittee today. I would like to take the opportunity at this time to tell you what an excellent job the Forest Service is doing in Nevada. Both Supervisors, Jim Nelson in the Toiyabe, and Bob Graves in the Humboldt have a very tough job. As I'm sure you are aware, handling all of the competing users on our public lands in a way that benefits not only the user but also the land is difficult at best, and I admire these men for the difficult job that they must do.

121. Question: It is my understanding, based on the forest plans in Nevada, that the Humboldt is fully funded for fiscal year 1987, but the Toiyabe is not. In fact, the Toiyabe is only 68% funded. Can you tell me why this is the case?

Answer: Neither the Humboldt or the Toiyabe National Forests are funded at Forest plan levels. The Humboldt is funded at 80 percent compared to the FY 1987 Forest Plan estimate, while the Toiyabe is funded at 68 percent. Additionally, none of the 16 plans in the Intermountain Region is fully funded.

Forest Plan costs were developed for a 10-year period with the restriction that costs could exceed the FY 1982 budget allocation, up to 50 percent. The annual costs shown in the plans are estimates of how much funding is required to implement the plan over the 10-year period. Therefore, the Humboldt and Toiyabe, planned for an expanding budget beyond the FY 1982 base, in the event higher funds was allocated. This would primarily expand the current level of management to a higher level of quality while retaining most historic use levels for these two Forests.

On the Humboldt, full forest plan funding would primarily raise the quality of developed recreation facilities and range/wildlife management. On the Toiyabe, increased funding would be primarily to improve and expand developed recreation facilities to meet existing demand. Both Forests anticipate increasing mineral development activities, and new wilderness designations remain a possibility.

The total cost of all 16 forest plans in the Intermountain Region exceeds actual budget allocations by 30 percent. Therefore, it is not possible to fully fund all plans. The Regional Forester sets priorities on Forest budget allocations using Forest plan priorities along with current budget year considerations. Also, the Humboldt and Toiyabe plans were completed and approved in mid-1986, after the FY 1987 budget had been developed.

122. Question: It seems to me that the Toiyabe will have a problem meeting its objectives under the current funding. In relation to the forest plans, how do the two forests fair in fiscal year 1988?

Answer: The Humboldt and Toiyabe National Forests remain at the same funding levels in FY 1988, at 80 and 68 percent respectively.

Under the current funding on the Toiyabe, there would be delays in implementing some of the objectives, and continued delays could result in problems in meeting 10-year objectives. This is true of all National Forests in the Intermountain Region. The main effect it will have is on the rate of plan implementation. With lower budgets, not all activities scheduled by the plan could be implemented as scheduled. At some point in the planning period this may require a change to the Forest Plan.

FS/BLM INTERCHANGE IN NEVADA

123. Question: As you are probably aware, I have co-sponsored the Forest Service Enhancement Act, which would transfer 511,000 acres of BLM land to the Forest Service in Nevada. I assume that the extra acreage would demand more personnel to manage the areas. Would that added acreage affect the portion of money designated for Nevada forests?

Answer: The Administration has resubmitted the BLM/Forest Service Interchange Bill for the consideration of the 100th Congress. The bill will address the needs for jurisdictional adjustments in all States and will contain provisions for necessary budgetary and staffing shifts between the two agencies.

In the event that the "National Forests and Public Lands of Nevada Enhancement Act of 1987" becomes law, certain funding and staffing shifts between the Forest Service and the Bureau of Land Management would be necessary in order to continue to manage the involved acreage at adequate levels. Future Forest Service budget requests would contain funds for those Nevada lands, and of course, there would be a compensating reduction in the budget for BLM activities.

LAND ACQUISITION - BURTON SANTINI

124. Question: I understand that the budget proposed that $7 million of the Burton-Santini land acquisition program around Lake Tahoe be rescinded. Now that the rescission has expired, have the funds been obligated?

Answer: When the rescission expired, the funds were made available for obligation. We expect that they will be obligated before the end of fiscal year 1987.

125. Question: How many acres of environmentally sensitive lands have been acquired since enactment of the law? How many acres of the Tahoe property does the Forest Service anticipate purchasing this year?

Answer: Since passage of the Burton-Santini Act, we have acquired approximately 7,700 acres of environmentally sensitive lands at a cost of about $36.4 million. We anticipate purchasing 811 acres this year, at a cost of approximately $12 million.

WILDERNESS AREAS IN NEVADA

The Forest Service's RARE II studies which looked at 3.2 million acres of roadless areas in Nevada for wilderness potential are finished. The most recent Forest Service plans called for releasing those other lands but the plans have been tied up in appeals. In an attempt to resolve this issue last year, I introduced and the House passed, a Nevada wilderness bill which was within 100,000 acres of the Forest Service recommendations.

Unfortunately, this issue was not taken up in the Senate and the wilderness situation remains unresolved. Meanwhile, the Forest Service is attempting to manage these areas in dispute as de facto wilderness.

126. Question: Isn't that a great strain to the Forest Service personnel in Nevada?

Answer: Yes, in the framework that the ability to designate these areas of land to the variety of management objectives as directed by land management planning is curtailed until the wilderness question is resolved.

127. Question: Wouldn't you agree that it would be of benefit to the Forest Service to get a reasonable wilderness bill passed in Nevada and truly release the rest of that land for other purposes?

Answer: Yes, land management planning goals and objectives set general use objectives for land and resources. Until this matter is settled, specific planning cannot be achieved.

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

SOUTHERN TIMBER STUDY

The report, "The South's Fourth Forest-Alternatives for the Future," also known as the Southern Timber Study, is now available and its implications were discussed at a policy and program conference on March 18, 1987 in Atlanta Georgia.

128. Question: Please summarize the conclusions and implications of this study.

Answer: While some data is still being analyzed, results from this major study of the timber situation in the South indicate that the softwood forests in the South have reached a turning point. Because of rapid increases in timber harvests, lack of regeneration of pine on much of the area harvested on the nonindustrial private ownerships, rising mortality, reduced diameter growth and conversion of commercial timberland to other uses, softwood timber inventories will begin to decline.

This decline means that the rapid expansion in the timber industries, and the associated increases in employment and income, that have been taking place in recent decades can no longer be sustained if recent trends continue. In fact, if recent trends continue, the existing softwood plant capacity cannot be sustained for very long. Projections that assume a continuation of current trends, project that timber removals will rise above net annual growth for softwoods in the 1990's and for hardwoods in the early part of the next century. As timber removals exceed net growth, timber inventories decline.

STATE AND PRIVATE FORESTRY FUNDING

129. Question: With the vital importance of Forest Management and Utilization programs to the South's forest, why are these activities being eliminated in the FY 1988 State and Private Forestry Budget?

Answer: Federal funding for assistance to the States in Forest Management and Utilization is eliminated in an effort to reduce the federal deficit. It is anticipated that States will continue cooperative forestry programs in accordance with their own priorities.

130. Question: Why does the State and Private Forestry budget, in total, continue to receive so little support (there is a 40 percent reduction proposed for FY 1988)?

Answer: Support for State and private programs in the President's budget reflects the position that the States and local governments have the primary responsibility for servicing the needs of their constituents.

The elimination of Federal funding for assistance in Forest Management and Utilization, Cooperative Pest Suppression, and Cooperative Fire Protection Programs places reliance on States to continue these activities according to their priorities and budget constraints. At reduced funding levels, these cooperative programs provide the best mix of technical and financial assistance as provided for in the President's Budget.

131. Question: If funds are restored to the State and Private Forest budget programs such as forest management, nurseries, tree improvement, and

marketing programs, how could you use them to follow-up on the study conclusions and implications?

Answer: These funds could be used to follow up on the Study, but additional investment will have to be made by industry and the States to solve the problem.

Recent studies have also shown that the provision of public programs of technical assistance and services are economically efficient and have been the most important factors in promoting increases in reforestation and forest management on nonindustrial private lands. Nonindustrial private lands represent 71 percent of the forest land in the South. Programs to improve forest management, complemented by programs for nurseries, tree improvement, and improved marketing, have greatly contributed to the creation of the South's present forest resources. The issue of what level of government should finance public technical assistance is a philosophical matter beyond the scope of the Southern Timber Study

SOUTHERN PINE BEETLE

132. Question: What is the status of the pine beetle epidemic?

Answer: The status of the southern pine beetle outbreak is that beetle populations are causing losses in Texas, Louisiana, Mississippi and Alabama. Populations are present, but relatively low in Georgia and South Carolina. Southern pine beetle populations in Arkansas, North Carolina, and Virginia are increasing over levels of past years.

133. Question: What is the outlook?

Answer: The outlook for southern pine beetle based on past history indicates that a decline in population levels should continue over the next year. However, because of the stress on the pines caused by the severe drought throughout the South in 1986, the possibility of a dramatic increase in southern pine beetle populations would occur. The effects of the drought will not become evident until mid to late summer.

134. Question: What will be the impact of the funding level proposed in the FY 1988 budget?

Answer: The uncertainty about the course of the outbreak this year makes it difficult to predict funding requirements for southern pine beetle control in fiscal year 1988. However, based on current trends, we anticipate that the Federal suppression appropriation will be sufficient for southern pine beetle control on Federal lands. The President's budget contains no funding for Federal cost sharing on State and private lands. Reliance is being placed on the States and affected landowners to meet their financial requirements for southern pine beetle control on State and private lands.

NATIONAL MARKETING INITIATIVE

135. Question: The FY 1987 budget funded a study that I requested to determine the implications and feasibility of a national wood and wood products marketing program. What is the status of the study?

Answer: The study results were incorporated into the National Marketing Initiative Plan which was transmitted to Congress on February 19, 1987.

136. Question: Are additional funds needed to study this subject?

Answer: Additional funds are not required for the study.

137. Question: What can you indicate about the potential of such a marketing program?

Answer: The plan outlines an approach that could improve the ability of our forest products industry to successfully compete with Canadians and others in domestic and international markets. Many small to medium sized producers of forest products are not aware of the opportunities which exist in foreign markets, or know how they can become involved in these markets.

138. Question: What factors would impact its successful implementation?

Answer: Assuming that the initiative is funded, the quality of the proposals would be the most important factor affecting implementation.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

LAND ACQUISITION

P.L. 99-664 authorized the appropriation of up to $11 million from the Land and Water Conservation Fund for the purchase, by the Forest Service, of certain lands owned by the Haida Native Village Corporation. I understand the Haida Corporation accepted the Forest Service offer at their Board of Directors meeting December 13, 1986, and that Regional Director Mike Barton subsequently requested that the Haida purchase be included as part of the Forest Service budget.

139. Question: Are funds included for the Haida lands purchase in either the FY 1987 Supplemental or the FY 1988 Forest Service budget requests?

Answer: There are no funds for purchase of Haida Nature Village Corporation lands in the FY 1987 Supplemental proposal or in the FY 1988 President's Budget.

140. Question: If not, and if budget cycle timing is the reason funds are not included, do you intend to seek additional funds to carry out the Haida purchase during fiscal year 1988?

Answer: For the same reasons that the President's Budget has not included any funds for land purchase, we do not intend to seek funds for the Haida purchase during FY 1988.

Haida Corporation is currently in Chapter 11 bankruptcy. The land purchase legislation was designed and intended to allow Haida Corporation to avoid liquidation of their assets. CFAB, Haida's major creditor, has stated its intention to file a competing plan of reorganization which would call for the immediate liquidation of all Haida Corporation assets. If the land purchase is not carried out during fiscal year 1988, there is a distinct possibility the lands in question will be in the hands of Haida's creditors and the intent of the legislation will be thwarted.

141. Question: In light of the existing circumstances, what steps will the Forest Service take to prevent frustration of the intent of P.L. 99-664?

Answer: The Forest Service has cooperated and worked aggressively to implement all legal requirements of P.L. 99-664. Proposed funding for activities authorized, but not required by law, will be considered along with all other expenditure proposals in the development of the 1989 President's Budget.

FOREST RESEARCH

The Explanatory Notes submitted by the Forest Service indicate you are proposing a reduction in funding for research on relationships between Sitka black-tailed deer and old growth in Southeastern Alaska. This comes at a time when environmentalists are challenging the impact of timber harvesting on the deer's habitat.

142. Question: What policy justification do you have for reducing funding for this research?

Answer: This reduction is necessary to address the President's direction to reduce the cost of the Federal Government. Highest priority Sitka black-tailed deer studies are retained in the President's Fiscal Year 1988 Budget.

143. Question: What progress has been made on this research?

Answer: Research involving the study of various functional relationships between deer and their habitat in southeastern Alaska has been completed. Knowledge of these functional relationships were needed to construct a deer habitat response model. Research being initiated this year would test the validity of this model. In addition, research on how to silviculturally manage second-growth forests for deer has been initiated.

144. Question: What was the funding level for this research in fiscal year 1987, and what is the proposed funding level for fiscal year 1988?

Answer: Approximately $200,000 are being invested in Sitka deer research during fiscal year 1987. The President's fiscal year 1988 budget would reduce funding for Sitka deer research to $151,000.

145. Question: What other reductions in research funds are proposed for Alaska facilities?

Answer: The proposed FY 1988 funding reduction of $49,000 in Sitka deer/old-growth habitat research is the only proposed reduction in Research in Alaska. There is also a proposed increase in the forest inventory and analysis budget line item of $8,000 in Anchorage, Alaska. Therefore, the net change in Forest Research in Alaska, in FY 1988, is $41,000.

TONGASS TIMBER SUPPLY FUND

146. Question: It is my understanding that costs associated with any litigation involving the Tongass timber program are paid for out of the Tongass Timber Supply Fund. What litigation expenses were charged against the fund during fiscal year 1986 and during fiscal year 1987, including staff time? To which account within the funds are these expenses charged?

Answer: Internal Forest Service litigation expenses involving the Tongass timber program are charged against the Tongass Timber Supply Fund. These are the costs to the Forest Service of preparing materials related to litigation not the costs of Federal attorneys. This procedure is the same as used throughout the Forest Service in that litigation expenses are paid with the appropriations that are funding the activity being litigated. For FY 1987, the funds obligated to date are:

Tongass Timber Supply Fund:	
Sales Preparation	$ 133,596
Timber Support	1,200
Engineering Support	131,095
Appropriated Forest Road Program	
Engineering Support	2,600

For FY 1986, the litigation expenses were merged with other activities associated with the Tongass Timber Supply Fund and are not separately identified in the accounting system. We estimate that the FY 1986 costs are comparable to the costs incurred to date and expected to be incurred in the remainder of FY 1987.

147. Question: What funds were expended by the Forest Service on environmental impact statements for timber related programs on the Tongass during fiscal year 1987?

Answer: The Timber Supply Fund obligations through 3/31 are as follows:

	Environmental Impact Statements	Environmental Assessments
Sales Preparation	$ 751,265	$ 22,474
Timber Support	494,351	14,179
Engineering Support	223,297	-0-
Estimated costs (4/1 to 9/30)		
Sales Preparation	517,629	11,266
Timber Support	356,751	11,295
Engineering Support	380,681	-0-
Fiscal Year Totals	$2,723,974	$ 59,214

148. Question: The Alaska Region has begun work on the next Tongass land management plan, which will guide management of the Tongass from 1989 to 1999. What is the current status of this effort?

Answer: The revision of the Tongass Land Management Plan was initiated in March of 1986. The revision will provide the first comprehensive look by all publics of the entire Forest and its resources since the original Tongass Land Management Plan was completed in 1979 and ANILCA was enacted in 1980.

A planning team for the revision is now in place and a relatively small interdisciplinary core team is currently being formed. The expanded interdisciplinary team which will complete much of the detailed work of the planning process will include representatives of all natural resource disciplines. Lead responsibility for the revision has been assigned to one of the Forest Supervisors of the Tongass National Forest.

A draft work plan is to be completed by late May to guide the revision process. The approved work plan will outline the time frame for completing the revision, which is currently targeted for late 1989 or early 1990. The core team is already initiating efforts to collect and organize needed information for the process. Formal public review will be followed by completion of the rest of the NFMA planning process and the preparation of related NEPA documents. Associated public involvement and work with Forest Service cooperators will be stressed.

The revision is to be responsive to any Congressional actions and public issues pertaining to the Tongass, in altering the existing Plan's management direction. The revised Plan will establish management direction and associated objectives for 10 to 15 years and project expected future conditions. The Plan will provide for integrated consideration of all resources and assure that performance standards are established, monitored, and changed when necessary.

The Tongass Land Management Plan was the first to be completed under the NFMA and will be the first Forest Plan to be revised.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

SPOTTED OWL

The Forest Service has expended a great deal of time and money on the development of a supplemental Environmental Impact Statement for management of the spotted owl (a species of bird which we may soon export to Idaho or West Virginia), and new data is coming in all the time. Now the Bureau of Land Management (BLM) is undertaking a similar evaluation of its management practices for the spotted owl.

149. Question: To what extent does the Forest Service now, or in the future, plan to coordinate and share information on spotted owl management with the BLM, U.S. Fish and Wildlife Service, and appropriate State resource agencies?

Answer: The Forest Service, U.S. Fish and Wildlife Service, various States, and the Bureau of Land Management have coordinated to a great degree in the management of the spotted owl, and will continue to do so. Bureau of Land Management data on habitats available at sites occupied by spotted owls is being used in Forest Service plans and analyses. The BLM and the Forest Service are currently developing a program which will aid in the strengthening of coordination procedures in spotted owl research, inventory and habitat management. This agreement, being developed in the Washington Office, will aid in assuring policy level involvement and understanding of this complex issue.

Recently, the Forest Service created a new position which provides for the coordination of spotted owl research and management in the two regions and with the various State and Federal agencies, and universities. An interagency spotted owl coordination group, composed of individuals from Federal and State agencies, universities, and private conservation organizations has been providing agencies with reviews and suggestions on proposed and existing research and management of the spotted owl.

150. Question: Because many Forest Service and BLM lands in Oregon and Washington are virtually indistinguishable and because a potential exists for two entirely separate spotted owl decisions to be made, would you please develop a coordinated approach of some kind to address this matter?

Answer: A cooperative effort is currently underway with policy level personnel in Washington D.C., and at the regional and national forest levels. This cooperation is intended to reduce the possibility that the two agencies could proceed in different directions on spotted owl management.

REGION 6 TIMBER HARVEST

The proposed FY 1988 timber harvest program is 11.2 billion board feet nationwide, the same as enacted in FY 1987. But, Region 6 timber sales are about 4.8 billion board feet or about 400 million board feet less than the 5.2 billion board feet set by this Committee last year.

151. Question: Why did Region 6 get short-changed especially considering that the national sales level is at last year's mark?

Answer: The sale level for Region 6 is supportable based on the remaining volume under contract, expected harvest levels, and the Allowable Sale Quantities (ASQ's) identified in the analysis of the new forest land and resource management plans. This level is 4.8 billion board feet, all products. The sale level approximates the historic level in Region 6.

While the ASQ's for the National Forests in Region 6 show a slight decrease, other Regions show an increase. Nationally, the sale level for FY 1988 is supportable at historic levels.

152. Question: Knowing that actual harvest levels have exceeded sales in the region, won't a reduction in supply force operators into the speculative bidding that we all want to avoid?

Answer: The Region does not feel that there has been a shortage of sales in relation to harvest, a situation that would have had the effect of driving the Region into speculative bidding.

The Region's harvest over the last 5 years only exceeded the sales in FY 1985, and that was only 8 million board feet. We do not feel that a timber shortage has taken place.

	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	TOTAL
OFFER	4,921	4,744	4,846	4,779	5,367	24,657
SELL	4,641	4,915	4,962	4,752	5,059	24,329
CUT	2,525	3,868	4,539	4,760	4,965	20,657

153. Question: In your estimation, if we retained Region 6 sales at historic levels of 5.2 billion gross feet, would that equivalent volume be harvested in FY 1988.

Answer: No, we estimate that Regional timber sale of 5.2 billion board feet would produce a harvest level of about 5.0 billion board feet in FY 1988. This estimated harvest level of 5.0 billion board feet is based on historic harvest levels, the anticipated purchasers demand, purchasers operating plans, and available mill capacity.

FOREST RESEARCH

154. Question: Regarding on-going spotted owl research, is the Forest Service studying the spotted owl in its preferred habitat of old growth forests, and attempting to discern whether spotted owls might live and breed in second growth timber stands?

Answer: Studies of spotted owls in old-growth forests are determining why they are closely associated with old-growth. Findings, in part, will provide the basis for determining whether, and how, second-growth forests can be silviculturally altered to support spotted owls. In addition, many of our study sites are in fragmented habitat, having both old-growth and second-growth stands. Any use of second-growth by owls will be documented. Also, studies are assessing the fate of juvenile spotted owls that disperse into second-growth forests. Other studies in the Pacific Northwest are assessing owl use of "Spotted Owl Management Areas" and their use of atypical habitats, which in both cases include studies being established in the Sierra Mountains of California, where second-growth forests are more extensive than in the Pacific Northwest. Finally, we will be closely following the results of the spotted owl monitoring program, which includes sampling of second-growth forests, and we will be investigating any consistent association of owls with second-growth stands.

155. Question: Regarding rangeland research, what is the current availability of funds for transitory rangeland research in Region 6, including the experiment station in LaGrande, OR?

Answer: The Pacific Northwest Forest and Range Experiment (PNW) is the only source of research funding in Washington, Oregon and Alaska. In FY 1987, the Station is investing about $50,000 in transitory range research at LaGrande, Oregon. Transitory range research funding is being used to complete an initial broad based study.

156. Question: What does the FY 1988 budget request propose for transitory rangeland research in Region 6, including LaGrande?

Answer: The Pacific Northwest Forest and Range Experiment Station has about $250,000 available in the 1988 President's Budget for transitory range research at LaGrande, Oregon.

157. Question: Do current and planned transitory rangeland research efforts in Region 6 provide sufficient data to incorporate a full array of alternative management plans in the on-going forest planning process?

Answer: Current research on transitory range consists of completion of an initial broad based study. That study increases our information on transitory range considerably. As is typical of nearly all research, there is always more that could be done, but additional transitory range research is not a high enough priority to warrant funding within existing budget constraints.

OLD-GROWTH FORESTS

Old Growth forest lands in Regions 5 and 6 are a point of considerable controversy, not only in the on-going forest planning process, but also with regard to the current annual harvest program.

158. Question: To what extent are current harvest practices and schedules fragmenting ecologically sensitive old-growth forests in Region 5 and Region 6?

Answer: California currently has a fragmented, ecologically diverse vegetative pattern. Given this situation, timber harvesting enhances and perpetuates diversity. There are very few stands that qualify as "old growth" exceeding 100 acres in size. Most identifiable timber stands seldom exceed 40 acres. Thus, we have an existing mosaic pattern throughout the State.

159. Question: To what extent can current harvest practices and schedules be redirected away from unique old-growth stands to other mature stands? Please identify those forests where a substantial portion of timber sales, over the next five years, could be shifted to mature stands instead of old-growth timber.

Answer: Most "unique old growth" stands have already been protected in parks, research natural areas, heavily timbered wilderness, and lands where other resource values preclude materially changing the "old growth" character. Stands that can be categorized as old growth are mostly located in the douglas fir and higher elevation true fir (red fir) types. Much of the Sierra Nevada and some of the Coast Range has already been impacted by both natural and human caused events that have created the diversity (age and size) that exists today. Most of the planned harvest over the next 5-10 years will be in stands from 80-300 years old. Some harvest will be on stands having "old growth" characteristics (e.g. stands containing snags, multi-layered canopy, and dead and down material).

160. Question: What percentage of the FY 1987 and proposed FY 1988 timber harvest programs in Region 5 and Region 6 will be conducted on old-growth forests (please provide your definition of old-growth)?

Answer: We estimate that each year some 10-20,000 acres of "old growth" will be harvested. This will be in stands having trees averaging at least 36-40 inches in diameter at breast height. This annual harvest is less than one per cent of our timber inventory. Over the next 10 years, less than 10% of our inventory of stands having larger trees will be harvested. We define "old growth" more on characteristics than age. We find old growth characteristics in stands as young as 120 years along with the more typical stands over 200 years in age.

Regarding technical resource data on the northern spotted owl and its habitat, I have the following questions.

161. Question: What are the best current estimates for numbers of pairs of spotted owls throughout their geographic range? Does that range include southern California, Arizona, New Mexico, southern Utah, and southern Colorado?

Answer: The Forest Service, along with other Federal and State agencies, is currently working on an estimate of sizes of spotted owl populations throughout the continental United States. The estimate for Oregon, Washington, northern California and the Sierra Nevada is approximately 2,500 pairs of owls. This estimate is based on the capability of habitat to support pairs of spotted owls. Habitat capability provides an estimate of the maximum population expected to occur in a specific area under a given set of habitat conditions. We are currently gathering data from local experts in southern California, Arizona, New Mexico, Utah and Colorado to arrive at habitat capability estimates for these areas. The estimate of owls in southern California is about 75 to 100 pairs.

These figures do not represent a complete census of owls in the field. Direct counts have not been, and probably will never be, fully conducted on all ownerships and geographic areas. Some of the direct observation surveys have been conducted with only one evening of "calling" to the owls. More detailed and biologically accurate surveys require "calling" on 10 or more evenings. It has also been our experience that various public and private property owners may choose not to participate in detailed spotted owl inventories. Consequently, the Forest Service bases its estimates of owl populations on the capability of the habitat to support pairs of owls.

162. Question: How many pairs are estimated to occur on National Parks in that range? On National Forest wilderness areas? On State or other Federal Agency protected lands?

Answer: There is great variability in spotted owl population estimates for these kinds of lands. Some estimates are expressed as a range of possible numbers and some as a single number with confidence-limits. All estimates reflect differences in sampling methods and/or accessibility of the area being sampled.

An estimate has not been made of the habitat capability for spotted owls in the Wilderness areas of California. Region 5 is planning studies that would provide an estimate based on habitat capability. The following are rough estimates of spotted owl pairs on national parks, national forest wilderness areas, and State parks:

	WASHINGTON	OREGON	NORTHERN CALIFORNIA/ SIERRAS	TOTAL BY OWNERSHIP
National Parks	60	14	38	112
National Forest Wilderness	71	137	****	208
State Parks	0	2	8	10

163. Question: How complete are the surveys for spotted owls in the protected areas cited in the question above.

Answer: The surveys are not very complete at this time. The proportion of suitable habitat on reserved lands that has been surveyed for owls ranges from 0 to 100 percent depending on the National Forest. The average percentage of reserved Forest Service lands surveyed in Region 6 is 45 percent. We do not have information on the extent of survey efforts on lands not administered by the Forest Service.

164. Question: What is the variability in kinds and amounts of suitable habitats within forests frequented by owls for their daily and seasonal activities? Do those statistics differ by geographic province, or north to south?

Answer: Spotted owls are found throughout a variety of low to mid elevation conifer and mixed conifer-hardwood vegetation types in the Pacific Northwest. Studies have consistently reported spotted owls using mature and especially old-growth forest stages for foraging, roosting, and nesting (Forsman et al. 1977 and 1984; Brewer 1985; Solis 1984; Sisco and Gutierrez 1984; Marcot and Gardetto 1980; Gould 1979; Garcia 1979). Studies of habitat preference have been used to infer that spotted owls require older aged forest stages, although this has been challenged by some biologists.

The habitats used by spotted owls for daily and seasonal activities varies by the geographic locations and types of forests throughout the species' range. The Forest Service has analyzed the amount of habitat at approximately 500 spotted owl habitat areas in Washington and Oregon. The amount of habitat ranges from a low of several hundred acres, to a high of several thousand acres. Results indicate that occupancy rates for a given amount of suitable habitat are proportional and lower in Washington than in Oregon. A similar effort is planned for Forest Service lands in California.

165. Question: What is the dispersal ability of juvenile owls? What kinds of habitats do they use in dispersing?

Answer: Dispersing young owls use a wider variety of habitats than do adult owls, including younger aged stands (Gutierrez et al. 1985; Miller and Meslow 1985). However, patterns of dispersal distance, directions, and rates are variable and poorly understood. Maximum dispersal distances (defined as the straight-line distance from the nest area to the farthest radio point observed) of 58 radio-tracked juveniles averaged 27 miles, with a median of 23 miles (Forsman 1980; Miller and Meslow 1985; Gutierrez et al. 1985). Ninety-five percent of all dispersing juveniles traveled at least 2 miles, 85% traveled at least 6 miles, 65% traveled at least 15 miles, and 40% traveled at least 21 miles.

166. Question: What proportion of spotted owls known to be in an area, based on complete tagging, respond to the survey methods used to estimate population numbers or densities?

Answer: Preliminary results of censuses of spotted owls from a study in northwestern California (Franklin, Ward and Gutierrez 1985) showed that as high as 97 percent of all adult or subadult spotted owls in the area were detected. Another study in central California (Laymon 1986) indicated that as few as 33 percent of owls known to be in an area responded to calls at any one time. More work on this question is currently underway.

167. Question: What proportion of occupied sites become reoccupied when the resident owls die or disappear?

Answer: To date, there are no data that directly answer this question. One study in northwestern California (Franklin, Ward and Gutierrez 1985) showed that 12 percent of occupied sites lose resident owls and are recolonized in a given year. Monitoring underway in 1987 will yield more definitive information in the next few years.

168. Question: What is the number of pairs of spotted owls estimated to occur on lands tentatively suitable for timber management at this time in Washington, Oregon, and California? How would implementation of forest plans over the next 15 years affect that number? How would it affect the distribution of owls?

Answer: At present, the estimated capability to support spotted owls on non-reserved areas (i.e. lands other than wilderness) of National Forest lands in Region 6 is 910 pairs. This figure includes lands technically unsuitable for timber production, which constitutes up to 13% of the non-reserved category. We are currently unable to separate technically unsuitable, from tentatively suitable lands within the non-reserved classification. Specific predictions as to how forest plan implementation will affect spotted owl numbers and distribution are not available at this time, since the Final Supplement to the Environmental Impact Statement for an Amendment to the Pacific Northwest Regional Guide (FEIS), and standards and guidelines are not yet incorporated into forest plan preferred alternatives. In general, we would expect to see decreases in numbers of owls on the order of 10 to 15 percent, a loss of 90 to 150 pairs, over the next 15 years if current forest management direction is continued. Depending on the final standards and guidelines that number could be lower or higher.

169. Question: Are there any small, isolated populations of spotted owls that could constitute a legitimate cause for listing as a threatened or endangered species. If so, where, what size, and how isolated?

Answer: Populations of spotted owls in southern California and on the Olympic Peninsula may be reproductively isolated from other populations. In southern California, there are estimated to be 75 to 100 pairs of owls distributed in what appears to be 4 isolated groups. These populations are isolated from the Sierra-Nevada population and may be isolated within the 4 areas. The California Fish and Game Department is conducting a study into these populations.

The population on the Olympic Peninsula is under intensive study and all known pairs of owls on the National Forest are protected in special management areas.

Spotted owl populations in other areas, including Utah, Colorado, Arizona and New Mexico may be isolated to some extent, although population sizes and the degree of isolation are not well known. The USDI Fish and Wildlife Service is currently reviewing a petition to list the spotted owl as an endangered species, and will make a determination on listing within the next

9 months. The Forest Service will be cooperating with the Fish and Wildlife Service in this process as required by Federal law and agency direction.

170. Question: What are the habitat and/or population management methods available to maintain viable populations of spotted owls while holding effects on timber related jobs and economies to a minimum?

Answer: The basic strategy is to provide habitats through the efficient use of different classes of land. The goal is to provide the amounts and distribution of suitable spotted owl habitat necessary to ensure the continued existence of a well-distributed population throughout the planning area. The approach for accomplishing this goal is to first provide habitat protection on lands already withdrawn from timber production, for example wilderness and lands technically unsuited for timber production; then on lands that will be assigned in the Forest plans to resource values and for uses other than timber production, for example Wild and Scenic Rivers; and finally, as needed to provide adequate numbers and distribution in addition to that which will result from the aforementioned lands, the designation of spotted owl habitat management areas on lands tentatively suitable for timber production.

We have reviewed other management strategies. There is no information at this time that intensive management of the prey base or managing the owl population by direct intervention, such as captive breeding, would be effective techniques for ensuring the viability of spotted owl populations.

171. Question: How do the National Park Service, Bureau of Land Management, and the various States factor in the overall scheme of providing habitats for maintaining viability of spotted owls?

Answer: Although the FEIS will address management of owls only on Forest Service lands in Region 6, we have included the existing direction and management plans of other agencies in our assessment of spotted owl viability. Interagency cooperation continues to be very important in the development of management strategies. The Spotted Owl Subcommittee of the Oregon-Washington Interagency Wildlife Committee is an interagency forum for the coordination of spotted owl planning and management. The committee members include officials from Regions 5 and 6 of the Forest Service, National Park Service, Bureau of Land Management, National Park Service, Fish and Wildlife Service, Soil Conservation Service, and the State wildlife agencies for Washington, Oregon and California. The Subcommittee sponsored the drafting of the Interagency Spotted Owl Inventory and Monitoring Handbook, which provides procedures for conducting spotted owl surveys. Future coordination will develop a better knowledge of the specific roles and responsibilities of these agencies in spotted owl viability.

Regarding Forest Service research and management strategies related to the northern spotted owl, I have the following questions.

172. Question: Which of the above questions have been or will be the best answered through National Forest System activities? How many person-years and dollars have been spent in each Region over the past 5 years to answer these specific questions? Are National Forest System activities adequately funded to deliver comprehensive and consistent information across all forests in he next 5 or 10 years?

Answer: None of the above questions are completely addressed by National Forest System or Research. The branches play different, but complimentary roles in addressing each question. For example, coordination of habitat planning and management, including inventories and evaluations of owl populations and owl habitat conditions and trends; and the implementation and monitoring of management direction, are the primary responsibility of the National Forest System with Forest Research in a consultative role. The development of basic knowledge on owl ecology and habitat relationships are the primary responsibilities of Forest Research with National Forest System in a consultative role.

The National Forest System in the Pacific Northwest Region has spent an average of $150,000 per year from 1980-1985 to inventory spotted owl habitat and populations. In FY 1987, the Pacific Northwest Region and the Pacific Southwest Region will spend approximately $500,000 each to inventory and monitor spotted owl habitat and populations. An estimate of person-years spent on spotted owl activities is unavailable since the responsibility for spotted owl inventories and monitoring has been shared between many disciplines and job series.

The new Spotted Owl Research, Development, and Applications Program will determine the funding needed to achieve consistency in developing the comprehensive management information needed for the next decade.

173. Question: Which of the above questions have been or will be best answered through Forest Service research projects? Which forest sciences labs are actively involved in answering them? How many scientists-years and project dollars have been spent at each lab over the past 5 years to answer these specific questions? Is Forest Service Research adequately funded to deliver comprehensive and consistent information on the appropriate research questions in the next 5 years. Where will the research activities occur to address the need for more specific knowledge by geographic province?

Answer: Forest Service Laboratories at Olympia, WA; Arcata, CA; and Fresno, CA are actively involved in spotted owl research pertinent to developing new information to address the above questions.

Inclusive of fiscal years 1983 through fiscal year 1987, total expenditures and investment of scientist years for spotted owl research at the above laboratories are about:

Lab Location	Expenditures	Scientist Years
Olympia, WA	$ 1,850,000	15
Arcata, CA	$ 350,000	3
Fresno, CA	$ 400,000	3

The above estimates are for research that directly addresses spotted owl management and does not include related research on characteristics and classification of Douglas-fir old-growth and studies of mammalian communities, which provides, respectively, information on classification of habitat for spotted owls and on the distribution of owl prey species.

The Forest Service spotted owl research program is addressing highest priorities studies consistent with the Audubon Advisory Panel Report on Spotted Owls and the research plan of the FEIS. Within the next five years, however, current funding may not be sufficient to comprehensively address all topics in all geographic provinces identified in these reports. We will address the highest priority issues.

In fiscal year 1987, spotted owl research relevant to the above questions is being conducted in Northern Washington, the Olympic Peninsula, Southern Washington, the Oregon Cascades, the Oregon Coast Range, the Klamath Mountains of Oregon and Northern California and the Sierra Mountains of California. Research results will be evaluated annually to determine progress and the adequacy of information, so that research efforts may shift to other geographic provinces as dictated by these annual assessments and availability of funds.

174. Question: Which of the above questions have been or will be the best addressed through extramural research in State Wildlife Agencies or at universities? Which States and universities have been involved in specific studies over the past 5 years on these questions? What has been their contribution to the net pool of information on spotted owls? How will States and universities fit in planned future studies? How will National Park Service research fit?

Answer: Within funding limitations, extramural research has been, and will be used to complement and supplement intramural research in order to most effectively and efficiently accomplish the spotted owl research mission. As such, extramural cooperative research with universities is filling information needs dealing with special topics and intensive geographic-based studies. Extramural research has addressed, and continues to address, juvenile dispersal, assessment of spotted owl management area effectiveness, use of atypical habitats, and barred owl-spotted owl competition. Extramural research currently initiated or planned to be initiated with universities in fiscal year 1987 include: (1) owl habitat use and habitat characteristics; (2) breeding home range characteristics; (3) prey ecology; and (4) owl population demography. As such, extramural research has been or will be providing information relevant to addressing questions 164, 165, 167, and 170.

Among the States, California and Washington have been involved in west coast spotted owl research over the past five years. Research involvement by universities on west coast spotted owls during the last five years includes the University of Washington, Oregon State University, Humboldt State University, and the University of California.

Through funding support from the Forest Service and other Federal and State agencies, universities have made major contributions to the net pool of information on the spotted owl. This includes discovery of the close association of owls with old-growth and information on dispersal, habitat characteristics, home range, reproduction and foraging.

The future of the spotted owl research program needs the same commitment and involvement by universities and States as in the past. The Forest Service looks to universities to fill gaps for research on special topics and for intensive geographic-based studies. In addition, the State of California, through continued funding to Humboldt State University, is addressing critical owl research that the Forest Service cannot address at the present time. We also look to universities to continue to contribute the indirect costs of cooperative Forest Service research projects. The National Park Service has conducted limited spotted owl research in the past and is presently cooperatively involved with the State of Washington in a study of owl distribution on the Olympic Peninsula.

175. Question: How will the recently established spotted owl research development, and applications program work to coordinate all agency efforts in both research and management: to insure focus on questions management needs answered immediately; to insure consistency in methods and data management used in research, inventory, and monitoring; to insure that studies address owl habitats and populations across all land classes and ownerships; and to insure that all interested forest users and Congress are fully and periodically informed of advances in knowledge and management strategies?

Answer: The recently established Spotted Owl Research, Development and Application (RD&A) Program includes all Forest Service spotted owl research and monitoring activities in Region 5, Region 6, the Pacific Northwest Forest and Range Experiment Station, and the Pacific Southwest Forest and Range Experiment Station. The program is under the direction of a Program Manager, who reports to a "board of directors" composed of the two Regional Foresters and the two Station Directors. This board provides overall direction to the Program Manager, and individual board members, as the responsible line officers of their respective Regions/Stations, will ensure implementation of the Program. The Program Manager serves as a link among Regions and Stations and a point of focus for all spotted owl research and monitoring activities.

Experience has demonstrated that an RD&A Program with a single focal point for communication and leadership under the direction of a forceful and effective program manager is the most effective way to achieve maximum coordination, maximum research program focus, consistency in research protocols, and rapid transfer and implementation of technology in a complex administrative arena.

Although the RD&A Program was established as an administrative mechanism within the Forest Service, it also provides a framework and focal point on which to build cooperative linkages with and among State agencies, other Federal agencies, industry groups, and environmental interests. Because the Program Manager is the focal point of information on spotted owls and spotted owl activities, the timely transfer of information to forest users and Congress is facilitated. Technical information related to spotted owl research and management will be made available to interested forest users, land managers, and the scientific community thru technical publications, symposiums, and workshops. Other appropriate information will be distributed to interested forest users by the Program Manager thru informal means of communication, annual research reports, organized information meetings, and news releases. Periodic publication of a spotted owl/old-growth information sheet is also under study. The Forest Service will report to Congressional Committees, and individual Members, as requested.

TIMBER CONTRACT RELIEF LEGISLATION

Regarding the reoffering of defaulted timber contracts in Region 6:

176. Question: How much timber volume does the Forest Service/Bureau of Land Management expect to be defaulted as a result of the legislation.

Answer: In FY 1987 and FY 1988 there are about 600 million board feet (MMBF) of timber in 140 sales, bid at more than 200 dollars per thousand board feet. This estimate includes pre-1982 timber sales and new sales. We have no way of knowing how much of this total will default, without knowing more about each firm. For example, we would need to know individual holdings relative to mill capacities, net book worth, firm policy, and other variables relative to local and national economies in wood products.

177. Question: Of the high priced timber contracts estimated to be defaulted, what percentage of the total volume in those defaulted sales will be reoffered by the Forest Service/Bureau of Land Management?

Answer: Approximately 90 percent of the defaulted volume may be reoffered, although we try to reoffer all sales as soon as possible. Adjustments may have to be made in any particular sale for spotted owl habitat, considerations of forthcoming forest plans, and other physical sale conditions.

178. Question: In what fiscal year will those defaulted sales be reoffered?

Answer: Most sales will be reoffered within 90 to 120 days of the default date.

179. Question: What additional administrative/managerial activities will be required to prepare those defaulted sales for reoffering and what will such sales and activities cost the Federal government?

Answer: Administrative/managerial activities may vary considerably on a sale by sale basis. The length of time between original sale and default is one estimate of the amount of effort required to prepare for resale. Sometimes sale areas need to be remarked, roads may need resurfacing, some sample cruising may be required, or different harvesting methods may have to be specified to protect an environment. On the average, 10 dollars per thousand board feet will cover these activity costs.

180. Question: Given current bidding prices in Region 6 what will be the estimated total dollar value of the defaulted contracts at the time they are reoffered?

Answer: Average high bid rate for 230 sales sold in FY 1986 was $155 per thousand board feet. Total value for 600 million board feet of high priced sales, everything else being equal, is $93 million.

181. Question: What will be the projected gross revenue to the Federal government from those defaulted and reoffered sales?

Answer: Projected gross revenue, if damages are paid on 600 MMBF, 90 percent of which is reoffered and resold, is as follows:

Damages	Resale	Gross Revenue
	(dollars in thousands)	
$83,400	$83,700	$167,100

Regarding damages collected on defaulted timber contracts in Region 6:

182. Question: Assuming all the high priced timber sales under contract were defaulted, what is the maximum amount of damages the Forest Service/Bureau of Land Management might collect?

Answer: The maximum amount of damages the Forest Service would collect is estimated at $83.4 million.

183. Question: Recognizing that creditors usually realize only a fraction of amounts owned them in bankruptcy proceedings, what is the realistic amount of damages that the Forest Service/Bureau of Land Management might collect?

Answer: There is very little historic default collection data to rely on. Almost all Forest Service defaults occurred within the last few years. After default damages are calculated and billed, appeal processes can last a year or more. Thus, we have collected less than 10 percent of default damages to date.

184. Question: In order to collect this realistic amount of damages, how much money is the Federal government likely to expend on collection activities, including costs of actions by the Justice Department?

Answer: We do not have an estimate of the money that might be expended on collection activities. We do believe collection steps we take will reduce collection costs and reduce the number of default claims. By making our collection processes more efficient we can encourage performance of more contracts. Thus, in the long run, we will reduce the number of referrals to the Department of Justice.

185. Question: What has been the Forest Service/Bureau of Land Management historical experience in collecting damages on defaulted timber sale contracts? Specifically, in past collection actions, what percentage of total damages has the Forest Service/Bureau of Land Management been able to collect?

Answer: For fiscal years 1984-1986, the Forest Service has established and assessed damages on about 1.2 billion board feet of defaulted timber sale contracts. The damages assessed exceed $100 million, of which we have collected approximately $4 million. As purchasers exhaust available avenues of appeals and reconsideration of these assessed damages, we expect the amount of the damages collected to increase substantially.

186. Question: Has the Forest Service/Bureau of Land Management done any analysis of which timber companies are likely to have default related financial problems rendering them insolvent or bankrupt?

Answer: The Forest Service and the Bureau of Land Management have prepared analyses of timber companies relative to their default related financial problems. However, results emphasize a dependency upon privileged and unavailable information to predict meaningful financial problems. This includes information on the purchaser's total timber portfolio, one that includes low cost timber.

We do know 10 purchasers are responsible for almost half of the defaulted timber in the west, and only 7 purchasers defaulted more than 10 sales in these Western Regions. These 10 purchasers may be in jeopardy due to defaults.

187. Question: If the companies holding high priced timber sales are forced into bankruptcy, what effect will their closure have on Federal tax receipts (both corporate tax receipts from the timber companies involved as well as individual income taxes of workers employed by the timber companies)?

Answer: We do not believe default collection activities, by themselves, will cause many bankruptcies, but they may contribute to decisions to file for protection under a bankruptcy code if a purchaser is in a poor financial condition.

Decisions to close a business may reduce Federal tax receipts, but we do not know the impact associated with defaulted sales and damages. In some cases, bankruptcy may result in no change in Federal tax receipts.

188. Question: If the companies holding high priced timber sales are forced into bankruptcy, what effect will their closure have on lost timber sale revenues to the States and counties under the Oregon and California Act?

Answer: Revenues to States and counties depends upon the scaled amount of timber harvested. High priced sales are generally not being operated. Several firms are operating high priced volumes under Multi-Sale extension plans. Defaults that can be resold at current market prices would provide revenues to States and counties.

189. Question: If the companies holding high priced timber sales are forced into bankruptcy, what effect will their closure have on federal outlays for unemployment benefits and other social services for workers displaced by the bankruptcy of the timber companies?

Answer: The amount of bankruptcies has increased five to six times since the Federal Timber Contract Payment Modification Act. The number of mill closures, consolidation of mills and company reorganizations has eliminated many jobs. Because of relocation and changes in market demands, we believe that data on impacts, due to bankruptcies, would have to be compiled by States and counties.

190. Question: If the companies holding high priced timber sales are forced into bankruptcy, what effect will their closure have on the economic and social stability of timber dependent communities?

Answer: Chapter 11 of the Bankruptcy Code allows a purchaser to file a reorganization plan with the court, continue operations, and retain the opportunity to become a viable business venture. Recent business closures and timber sale defaults have had serious impacts on employment and community stability. We believe the equitable administration of default provisions will encourage purchasers to operate more of their sales. We also believe equitable default administration will help stabilize the forest industry and dependent communities.

191. Question: Recognizing that inevitable delays will occur in collecting on a damage judgement if and when one is obtained, when does the Forest Service/Bureau of Land Management expect to actually realize significant revenues from the default proceedings?

Answer: Our experience with defaults and damage collections is limited. Based upon this limited experience, we expect to begin collecting damages at rates of 10 percent or less at a time horizon of one or more years after award of damages. We expect revenues from resales, depending upon sale size and contract length, to begin within the first few quarters of resale.

192. Question: What, then, would be the present value of the fraction of total default damages that the Forest Service/Bureau of Land Management expect to realize at some future date?

Answer: We have no estimate of the present value of default damages the FS/BLM will collect. Present value of these collections depends upon the number of sales purchasers default, damage award, and in some cases interest on those damages, associated with the defaulted volumes, and our collection effort's success.

LAND ACQUISITION

Regarding proposed Agriculture Department criteria for evaluation of new federal land acquisitions.

193. Question: Will it be the Department's policy to implement such criteria absent an administration request for funding in FY 1988?

Answer: Implementation of the policy will allow for more efficient management of the National Forest System through wise land ownership adjustment decisions. The portions of the policy directed toward wise land management and the pursuit of land exchanges to meet landownership objectives can be implemented without any additional funding for land acquisition.

194. Question: Will it be the Department's policy to oppose outright purchase of critical and unique parcels if after careful review by participating entities; exchanges, lease backs, partial interests, donations, etc, are not feasible?

Answer: We will first have to determine whether or not a parcel contains elements sufficiently significant as measured by the policy. If it was determined that a parcel meets the criteria, every alternative of acquisition would be explored prior to acquisition by purchase.

195. Question: How does the Department plan to implement its new policy and evaluate potential acquisitions in Region 6 if only one FTE is responsible for handling all such cases, as is the case currently?

Answer: Region 6 currently has about 25.5 FTE's working on landownership adjustments, including 3.7 FTE's for the Columbia George. Most of these people are working on land exchange. Region-wide, about 4.5 FTE's are working on land purchase.

196. Question: Would the Department consider providing additional staff in order to implement its own policy in Region 6, especially in light of new federal legislation which has prompted dozens of new acquisition proposals in the Columbia Gorge?

Answer: We do not perceive that implementation of the new policy will cause any increased needs in staffing. The Columbia Gorge staff will have approximately 3.7 FTE's to handle land acquisition needs.

RANGELAND RESEARCH

197. Question: Have existing research efforts adequately identified all the points of conflict between managing for grazing forage and managing for new tree growth? Would not further research be useful and timely with regard to implementing new intensified land management practices as are proposed in new regional forest plans?

Answer: Seldom is research able to provide all of the information desired on any particular natural resource management issue. In this case, initial studies have been initiated to resolve management conflicts between grazing forage and regeneration of trees on transitory range. Recognizing the importance of this research topic, the $50,000 of funding for this research in FY 1987, has been raised to $250,000 in the FY 1988 Estimate.

While studies on this subject must compete with research on other dimensions of the Forest Service's land management mission, additional studies could provide forest land managers with more sound ecological knowledge of resource interactions. This information is required for intensive integrated resource management as described in forest plans. Such additional studies could provide technology to: (1) distribute grazing pressure on transitory range so as to reduce impacts on sensitive areas, such as riparian zones; (2) use grazing to improve growth of new trees, by reducing competing vegetation and accelerating transfer of nutrients from lesser vegetation to trees; (3) use grazing to maintain cash flows from tree crops; and (4) improve forage for elk, deer, and cattle by timely cutting to release understory vegetation and by planting of fast-growing grasses, legumes, and other forbs.

QUESTIONS SUBMITTED BY SENATOR JAMES A. McCLURE

FOREST INSECT AND DISEASE RESEARCH

You have requested a 2 percent reduction in FY 1988 for the Forest insect and disease research program ($21,500,000 in FY 1987, $21,028,000 in FY 1988). One specific program proposed for reduction is research on the western spruce budworm where a 15 percent reduction is proposed.

According to a briefing paper from the Forest Service, the Western spruce budworm infestation continues to increase in the Pacific Northwest Region and is not anticipated to subside for several more years. The current infestation increased from 3,000 acres in 1980 to almost 6 million acres in 1986. Between 90 and 100 percent of the trees will sustain from 10 to 30 percent top kill.

198. Question: Can you explain the current strategy to stop or at least slow this infestation?

Answer: The suppression strategy for the western spruce budworm is to buy time and keep the trees in high value forests alive until the current outbreak runs its course. If favorable conditions for budworm outbreaks continue, the progression of the outbreak cannot be stopped. We can, with prompt and timely treatment, minimize losses until weather and other natural factors cause a collapse of the outbreak.

199. Question: It is my understanding that the Forest Service is developing a new charter on this research which will look into the potential role of parasites and birds as biological control agents. Can you explain this new charter and what impact the proposed budget reduction will have?

Answer: The research referred to on the role of parasites and birds, which also includes predatory ants, is part of broader research effort underway at the Forest and Range Sciences Laboratory in LaGrande, Oregon. The objective of the effort is to develop integrated pest management strategies for the major pests of western forests, including the western spruce budworm. Birds and ants have been found to account for high levels of predation on the western spruce budworm when the budworm population levels are low. The charter for this unit expires in September 1988, and current plans are to continue research on birds and ants in the revised charter to verify how effective they are in keeping budworm populations low. If confirmed, it could lead to forest management practices that encourage predation and help to prevent or delay outbreaks. The proposed budget for FY 1988 will not result in a reduction of this important program.

Because of root rot, increasing areas in the west are becoming nonproductive from the standpoint of growing the desired species. Unfortunately, our knowledge on how to deal with this disease in a cost effective manner is almost nonexistent.

Your FY 1988 budget indicates that you have proposed reductions to save $50,000 by not accelerating research on guidelines for reducing damage to western conifers by root rot fungi.

The budget, however, also indicates that proposed funding for root diseases will increase from $916,000 in FY 1987 to $1,033,000 in FY 1988.

200. Question: Why are you foregoing accelerated research yet increasing the funding?

Answer: We are increasing our research in most work units in the West where root rot disease is a serious problem in commercial timber. The research acceleration we are curtailing in the President's Budget is on root diseases of the northern Rocky Mountain area, research that is already being increased in the President's budget proposal by 20 percent over the FY 1987 program. Increasing this research even further was a lower priority than the other activities included in the President's Budget.

201. Question: What research is the most promising in this area?

Answer: The most promising research is that aimed at providing the resource manager with practical guidelines to reduce damage through the use of stand management practices.

Research at various locations in the West is underway on a wide range of subjects that should lead to better management practices. These include studies to improve our basic understanding of:

- the factors that affect the severity, survival, and spread of the disease pathogen on infested sites;
- the site factors and silvicultural practices that affect productivity of root rot infested sites;
- the relationship of root rot pathogens to other microbial organisms in the soil that affect severity of the root rot disease;
- the systems for rating the risk of specific stands to damage by root rots;
- the direct control measures with chemicals or biological organisms that compete with the root rot fungus; and
- the ways to improve silvicultural practices.

202. Question: Please provide for the record an explanation on what root rot research will continue in FY 1988 and what is proposed to stop.

Answer: Funding proposed for research on root rots in FY 1988 is estimated to be 13 percent higher than in FY 1987, reflecting a higher concern over this damaging group of forest diseases. The budget for FY 1988 will not require any reduction in research currently underway that is described in the previous response. An increase is proposed for research on root rots in the northern Rocky Mountains where damage is particularly severe. Emphasis of this research is on developing a classification system for identifying the root rot hazard of individual sites and the appropriate management practices that can be prescribed to minimize root rot problems during regeneration.

Root rot disease is particularly troubling because it not only eliminates the existing stands, but it also takes the land out of production.

203. Question: Is your research broken down between taking care of existing stands and the diseased roots left in the ground after a stand is lost?

Answer: Research is underway on how to manage existing stands to minimize root disease damage as well as how to improve the productivity of stands after they are harvested and regenerated.

Root diseases can remain in root systems of killed or harvested trees to continue the disease cycle from one forest generation to another. Opportunities for disease control are greatest when stands are harvested and when sites are regenerated. Various control options are being investigated. Some of the control options include silvicultural practices such as slash disposal, fertilization, thinning, stump removal, crop rotation, use of more resistant tree species, chemical controls, and use of biological organisms that are antagonistic to the root rot pathogen.

The FY 1988 request for research of the mountain pine beetle and other bark beetles is proposed to decrease from $1,418,000 to $1,262,000 in FY 1988.

Since the mountain pine beetle population is expected to continue to decline, I can understand your desire to decrease the research emphasis. However, we do not want to confuse a declining population with victory.

204. Question: How much do you expect the population to decrease in FY 1987?

Answer: The mountain pine beetle outbreak will continue to decline in areas where suitable host type has been depleted by earlier infestations and will increase in areas where ample host type still exists. The overall acres infested in FY 1987 will remain at about the FY 1986 level of 3.4 million acres.

205. Question: What are your plans for the proposed FY 1988 funding?

Answer: Research funding for FY 1988 is allocated to research on ways to improve management practices for lodgepole and ponderosa pine stands that help to prevent outbreaks of the mountain pine beetle or reduce the damage caused by this pest.

Research planned in FY 1988 on the mountain pine beetle includes:

- A major effort on improving our understanding of the behaviour of the beetle and the characteristics of the site, stand or environment that can explain the causes of outbreaks. Of primary concern is to find ways to prevent outbreaks from occurring through manipulations of the stand to make them less susceptible to attack and damage. By relating site and stand characteristics to damage, practical guidelines can be provided to resource managers for improving their means of predicting which stands are under the greatest risk from attack and what cultural practices can best prevent or reduce damage.
- Research is also underway on chemical means of protecting individual trees of high value.

ATMOSPHERIC DEPOSITION

The Forest Service is playing a key role in the debate of the effects of acid rain on forests. Current research focuses on assessing the effects of atmospheric deposition on terrestrial and aquatic ecosystems and determining the chemical characteristics of atmospheric deposition.

The FY 1988 budget proposes to decrease funding to $10,580,000, from $12,690,000 in FY 1987. Part of this decrease is proposed to come from a reduction in the lower priority research in specific ecosystem studies. Specifically, the budget proposes to "forgo accelerating research effects of atmospheric deposition on western terrestrial ecosystems.

206. Question: How did you determine that this is lower priority research?

Answer: Atmospheric deposition research in the West is not one of our low priorities. We have expanded our atmospheric deposition research in the West considerably in recent years.

Over the past two years, the Forest Service has made substantial additions to our atmospheric deposition research program in the West. For example, about $600,000 was added to the Forest Response program's Western Conifer Cooperative in FY 1987 to fully implement plans developed within the National Acid Precipitation Assessment Program. That same level of funding is retained in the proposed FY 1988 Budget.

In FY 1987, Congress provided us $1,000,000 for research that will be carried on by the Idaho National Engineering Laboratory (INEL). That Congressional direction is being followed in FY 1987. Since the research conducted at the INEL is not a part of the program planned under the National Acid Precipitation Assessment Program, we do not propose to continue that work. There are much higher atmospheric deposition research priorities, as well as other higher priorities in other parts of our Research program, than to continue that work.

TAX BILL CONSEQUENCES

207. Question: Has the Forest Service had an opportunity to analyze the impacts of the new tax bill on forest management and timber investment? If so, what conclusions were made? If there were conclusions, were they discussed at the Pinchot Institute symposium on "Federal Tax Change and the Private Forest Sector"?

Answer: The general provisions of the tax bill have been studied, but a complete analysis of the impact of the bill on forest management and timber investments must wait until IRS issues its tax regulations and the behaviour of timber land owners is observed.

The FY 1986 Tax Reform could have considerable economic impact on timber growing and forest investments. It appears that timber growing will continue to be a viable economic investment under the right circumstances, but these viable circumstances will be more restrictive than under previous tax law. Like other major changes in the tax law, the ultimate consequences of these provisions can only be determined by studying the subsequent actions that timber land owners actually make.

The law is very complex, but some of its major provisions that affect forest management include:

o For both corporations and individuals, there will be an increase in the tax rate on timber income.

o Since income averaging will no longer be allowed, the individual taxpayer will no longer be allowed the ability to spread the income from a single timber sale over a three year period as previously was allowed.

o "Active" forest managers will be allowed to deduct management costs, but the definition of who an "active" versus a "passive" manager is will not be determined until IRS issues it regulations.

The meeting at the Pinchot Institute was held prior to passage of the final tax bill, so a wide range of alternative tax situations were discussed at that meeting.

TREES AND TIMBER MANAGEMENT RESEARCH

In FY 1988, you are proposing to forego research on growth and yield prediction systems for mixed conifers in the Rocky Mountains and Southwest.

208. Question: Has the research so far been disappointing?

Answer: Research to develop growth and yield prediction systems for mixed conifers in the Rocky Mountains and Southwest has been very productive.

209. Question: How far along are these prediction systems and how much would it cost to complete them?

Answer: With current data and funding we will complete a preliminary growth and yield model for southwest mixed conifers by the end of fiscal year 1987. The complete development of the model for southwest mixed conifers and Rocky Mountain conifers at current funding levels will take approximately five years. As future budgets are developed, this program will be reviewed along with other research projects to determine the priority of adding additional funding.

210. Question: Do you anticipate the road costs per mile to increase or decrease as the new forest plans are put into place?

Answer: The Purchaser Credit and Purchaser Elect funded unit costs are expected to increase slightly due to timber harvesting equipment (yarder) requirements and an increase in new construction miles for timber sales. Due to increased emphasis on recreation and general purpose roads in many forest plans, it is anticipated that the unit costs of Forest Road Program funded roads may increase. Recreation and general purpose road projects can be more costly than timber roads. This is due to higher standards, such as two lanes and paving, that accommodate mixed traffic in high use areas.

Recent research done by the Forest Service on low-maintenance forest road design indicates that low-cost, low-maintenance roads are consistent with protection of water resources. In fact, you indicate that Idaho scientists have found that road design has little effect on erosion. In North Carolina, scientists found they could achieve better control of sediment deposition by trapping sediments along roadsides with filter strips narrower than those previously in use.

211. Question: How will this research be incorporated into the road building strategy of the Forest Service?

Answer: Research findings are published and forwarded to field units responsible for road design. The findings are incorporated in the design of roads where applicable. In many instances, research does not determine new and unique design features but quantifies the effects of current design practices. The research cited is in general use already and has been validated by these research efforts.

In FY 1988 you are proposing to reduce research on the impacts of timber harvesting and road construction on water quality in the South and Intermountain West. In addition, you are also proposing to reduce research on techniques to prevent mass soil movement on steep slopes in the Pacific Northwest.

212. Question: Is this research nearing completion? How much will this proposal save in FY 1988?

Answer: Periodic research results, such as the Forest Service results cited from Idaho and North Carolina, are being provided by the current research program. None of the planned research programs on this subject are nearing completion. The FY 1988 Estimate proposes reduced funding in this area of research by $244,000.

WILDLIFE, RANGE, AND FISH HABITAT RESEARCH

The Forest Service is working on wildlife habitat for the spotted owl focusing on a habitat in old growth forests. New research, however, indicates that the spotted owl can thrive in second growth forests as much as old growth forests.

Your FY 1988 budget proposal indicates that you are proposing to reduce research on the northern spotted owl.

213. Question: Does the research you are proposing to reduce focus on either a habitat in old growth or second growth forests?

Answer: There have been observations of owls in second-growth forests and/or having both second-growth and old-growth stands within their home ranges. However, it has not been established whether viable populations of owls can be maintained in second-growth forests. The proposed reduction of research would be in old-growth forests.

Regarding owls thriving in second-growth:

- Most studies in Washington, Oregon, and northern California have shown a close association of owls with old-growth (e.g. 93 percent of 1,500 owl sites in Oregon were in stands greater than 100 years old).
- There are owls in the Sierras of California, where second-growth is extensive. Limited data, however, shows their habitat structurally similar to that of owls in northern California, Washington, and Oregon.
- There have been observations of owls in second-growth and/or having both second-growth and old-growth within their home ranges. However, research has not yet demonstrated that viable populations can be maintained solely in second-growth.
- Our research will determine whether second-growth can be silviculturally treated to make it suitable for owls.
- Proposed joint Forest Service/Industry studies would compare demography (births, dispersal, survivorship) of owls in old-growth versus second-growth.

Regarding proposed reductions in research:

- We have studies of owls use of Spotted Owl Management Areas and studies on their use of typical habitats. Both studies include investigations of how owls use second-growth versus old-growth.
  These studies will be retained. The proposed reduction would focus on habitat in old-growth.

214. Question: How is this research being incorporated into the establishment of the habitat?

Answer: A Spotted Owl Research, Development and Application Program, under the leadership of a program manager, has been established. One function of this program is to provide a means whereby results of research can be quickly translated into spotted owl management programs.

215. Question: Please provide for the record how much the proposed FY 1988 research on the spotted owl will differ from research in FY 1987.

Answer: We have spotted owl studies underway in fiscal year 1987 in several physiographic provinces of Washington, Oregon, and California. Research is being conducted in northern and southern Washington; Olympic Peninsula (WA); Oregon Coast Range; Oregon Cascades; Klamath Mountains of Oregon and California; and the Sierra Mountains of California. In FY 1988 we would delay one or more lower priority studies in Oregon or Washington, and/or reduce the scope and intensity of some research in Oregon and Washington. The program manager for the newly established Spotted Owl Research, Development and Application Program will be evaluating priorities among studies.

FOREST PRODUCTS AND HARVESTING RESEARCH

216. Question: What is the status and FY 1988 plan for research on slope stability and sedimentation?

Answer: Our research addresses the question of slope stability and sedimentation in two major ways.

First, each of our harvesting research units addresses as part of its research the impact of the harvesting system that is being studied on slope stability and sedimentation. We have about $2.4 million in the President's Budget for harvesting and engineering research in 6 Research Work Units. All of these projects deal with harvesting and have as a fundamental aim, the development of systems that are environmentally acceptable, or that enhance the environment. Ground or soil disturbance is always a concern to control erosion and to facilitate revegetation.

Second, we have a research effort in Moscow, ID that is studying the impact of road construction on slope stability and sedimentation. This engineering research program in Moscow, ID will be increased in the FY 1988 President's Budget by $474,000 over FY 1987.

The increase in FY 1988 in this Moscow, ID engineering unit will be used:

- To accelerate research on reducing forest road construction costs using a computer design program and various combinations of road construction equipment.
- To accelerate research to determine how much sedimentation occurs from forest roads subject to rainfall and snowmelt--and to cooperate with other USDA agencies to replace the Universal Soil Loss Equation with a model designed for forest conditions.
- To accelerate research to develop guidelines to identify unstable areas subject to mass movement of soil and landslides as related to road construction. Our objective is to reduce costs by decreasing overly conservative and costly design when not needed.

STATE AND PRIVATE FORESTRY

Forest Pest Management

In FY 1988, you are proposing increases pest detection and in pest suppression on Federal lands in the Forest Pest Management program. At the same time, you are also proposing a in Forest Insect and Disease Research.

217. Question: In the long run, wouldn't it be cheaper to increase funds for research?

Answer: The proposed increases for operational pest detection and suppression are aimed at reducing impacts of serious pest outbreaks which are occurring now and to detect potentially damaging outbreaks while small and able to still be efficiently managed. Research is important in helping to solve many pest problems. However, it would be mere speculation to determine a value tradeoff between current suppression and research benefits that may never be attained.

218. Question: Can you elaborate on the increase of $2,361,000 over the FY 1988 Base in the insect and disease suppression program?

Answer: The increase of $2,361,000 for insect and disease suppression will allow for treatment of those forest pests which have the potential to cause the most severe impact to our forest resources. A general projection of pest activity for FY 1988 provides an indication of where suppression funds will most likely be required. Forest pests likely to be targeted for suppression activities with the increased funding include:

- Gypsy moth;
- Western spruce budworm populations, especially in Oregon and Washington;
- Southern pine beetle, which is expected to peak in Alabama, Georgia, and the Carolinas, while declining in Texas and Louisiana;
- Mountain pine beetle populations, which are expected to remain severe in much of the West even though the overall outbreak continues its gradual decline; and
- Conifer root diseases, particularly in the West.
- Dwarf mistletoe, other miscellaneous pests, and program support needs are expected to remain at current levels.

219. Question: How does this increase relate to the current litigation on forest pest suppression?

Answer: The major litigation which emphasizes the need for more current and exhaustive NEPA-related documents includes that experienced in the Oregon District and Ninth Circuit Courts involving vegetation management on National Forests and BLM lands in Oregon (Numbers 1 and 2 listed below). Litigation over gypsy moth suppression is also underway in the Ninth Circuit Court (Number 3 listed below). Litigation over treatment of southern pine beetle is underway in District Courts in Texas and the District of Columbia (Numbers 4 and 5, respectively, listed below).

The litigation and subsequent court decisions can and have stimulated changes to NEPA documentation related to vegetation management and forest insect and disease management nationwide.

1. Save Our ecoSystems v. Clark/Merrell v. Block, 747 F.2d 1240 29th Cir. 1984).
2. Northwest Coalition for Alternatives to Pesticides v. Block, Cov. No. 83-6272-E, unpublished decision (D.Or. January 6, 1984).
3. Oregon Environmental Council v. Kunzman, 636 F. Supp. 632 (D.Or. 1986) (appeal pending).
4. Sierra Club v. Block, 614 F. Supp. 134 (D.Tex. 1985).
5. Sierra Club v. Block, 614 F. Supp. 488 (D.D.C. 1985).

The estimated costs of preparing NEPA documents related to these cases are approximately $3.5 million.

Funds have been requested to survey an additional 7 million acres of Federal land in FY 1988. The increase from 135 million to 142 million acres would be used to detect pest outbreaks while they are small and can be more efficiently managed.

220. Question: Do you know where or on what pests these funds will be focused?

Answer: The additional survey acres will be primarily for gypsy moth in the Northeast and in adjacent States where the outbreak is expected to expand; for southern pine beetle in the South and Southeast; and for western spruce budworm and mountain pine beetle in the Pacific Northwest, Southwest and Rocky Mountain regions of the country.

Our budget and appropriation cycle does not always meet the needs of everyone. This is especially true in land management agencies like the Forest Service. The death of a good natural resource manager is to manage one year at a time. Handling insects on a year to year basis is a good example of that management practice.

221. Question: Would the Forest Service support a dedicated fund not restricted to annual appropriation cycles that could be used for forest insects and diseases?

Answer: No, there is already adequate flexibility to reprogram or interchange funds, using the Secretary of Agriculture's emergency authorities.

222. Question: What sort of criteria would you suggest to go along with a proposal like this?

Answer: The criteria for an emergency funding process would include specific instructions to:

1. Differentiate between emergency outbreaks and pest suppression action that should be included in the normal budget cycle.
2. Include only pest outbreaks which have the potential for very drastic environmental, economic, or social consequences.
3. Limit the number of years that emergency funding would be available for a specific outbreak.
4. Require that emergency funding be offset by reductions in other Forest Service program expenditures.
5. Specify that emergency suppression projects must meet all other criteria specified by law and agency regulations for projects funded through the regular budget and appropriations process.

In FY 1988, you have proposed to eliminate Federal financial assistance to the States for cooperative insect and disease suppression projects except where they are intermingled. In FY 1986 and FY 1987, these programs funded 25 percent of suppression activities on non-Federal public lands, 33 1/3 percent on industrial lands, and 50 percent on non-industrial private lands. That's a pretty good cost share the Federal government is walking away from in order to save $8,500,000.

223. Question: If Congress went along with this decrease, do you think the Federal share will be made up elsewhere?

Answer: Some areas now being treated might not be treated if Federal assistance were not available. We believe, however, that the costs of forest pest suppression on State and private lands should more appropriately be borne by the primary beneficiaries. This approach is being taken in New York, for example, to deal with the gypsy moth where the problem is endemic. The State requests no Federal funding and provides no State funds to the counties and towns for gypsy moth suppression.

FOREST MANAGEMENT AND UTILIZATION

224. Question: You are proposing to discontinue Federal funding for assistance to States in Forest resource management. Do you have any idea whether States will make up the lost Federal share?

Answer: We expect the States to continue cooperative forestry programs in accordance with their own priorities.

225. Question: Do you know of any States that will discontinue the program altogether because of the lack of Federal funds?

Answer: We do not know, at this time, of any States that will discontinue cooperative forestry programs.

The Wood Utilization program provides landowners with a variety of information on harvesting, processing and marketing of forest products. In the past, this program has been highly successful. In fact, your justification indicates that "if half the firms receiving technical assistance in lumber processing undertake the recommended improvements tax payments to the U.S. Treasury would increase an estimated $22.8 million a year."

In FY 1988, however, you are proposing to discontinue Federal funding of this program. That appears to be a bit confusing when you state that the program apparently pays for itself.

226. Question: Have all the good ideas been utilized and therefore the program will no longer be useful?

Answer: Application of wood utilization technology to improve harvesting, processing, and marketing can still benefit U.S. firms by improving output, decreasing waste, and increasing efficiency. States and the private sector are expected to continue their present efforts in accordance with their own priorities.

In rationalizing the elimination of the Seedlings, Nursery and Tree Improvement program (saving $1,837,000 in FY 1988) the justification states that the success of the Conservation Reserve tree planting program will be dependent upon States upgrading seedling production and nursery facilities.

227. Question: Do they agree with that assessment? Have States given you an indication of their willingness to make the necessary upgrades?

Answer: To meet the demand for seedlings from the Conservation Reserve and on-going reforestation programs, State nursery facilities are operating at capacity. Upgrading is necessary to maintain fertility of nursery beds and to ensure quality control of survey stock for planting. In view of projected seedling demand, States are evaluating the need for improvements to meet the increased demand and maintain quality control.

In FY 1987, the Senate provided $5,000,000 for a national marketing program to increase exports of softwood and hardwood products. Without making a commitment to future funds, the Conferees dropped the funds but agreed to provide the Forest Service with $100,000 to study the proposed marketing initiative and report to the Committees by March 1, 1987.

228. Question: If Congress decides to take the next step with this initiative, what recommendations would you make on how to proceed?

Answer: On February 25, 1987, a detailed report on the National Marketing Initiative Plan was transmitted to Congress. The report was jointly sponsored by the National Association of State Foresters and the Forest Service. Sections of the report describe the rationale for Federal and State involvement, defines roles and responsibilities, and presents an implementation strategy. The report recommends proceeding with the implementation if funds become available. The study provided the Forest Service an opportunity to develop and document a proposed National implementation strategy for project proposals which would benefit the National Forests, State and private lands, as well as the Nation as a whole.

229. Question: Could you elaborate on the rationale for Federal involvement?

Answer: Briefly, the rationale for Federal involvement is derived from the Cooperative Forestry Assistance Act of 1978 (P.L. 95-313). The rationale for no Federal involvement is that producers of numerous agricultural products fund research and promotion activities of this magnitude with no Federal funding.

230. Question: What type of a role do you feel the States should play?

Answer: State forestry agencies will coordinate and submit proposals to be undertaken with the initiative.

NATIONAL FOREST SYSTEM

MINERALS AREA MANAGEMENT

Your request reflects an anticipated reduction of cases in the area of leasable minerals from 12,822 in FY 1987 to 11,469 ~~in~~ FY 1988 due to the reduced world price of oil and gas stemming from less exploration activities. This will leave an anticipated inventory at the end of FY 1988 of 4,000 or 5,000 unprocessed cases which is a substantial increase from the ending FY 1986 inventory of 2,363 unprocessed cases.

231. Question: What has been the historical level of unprocessed cases?

Answer: The inventory of unprocessed cases for fiscal years 1981-1986 was as follows:

FY 1981	5,200
FY 1982	7,200
FY 1983	4,400
FY 1984	2,805
FY 1985	3,533
FY 1986	2,363

FUELS MANAGEMENT

In FY 1988, you are proposing a 65 percent reduction ($4,024,000) from FY 1987 in the Fuels Management program. This reduction will still allow for the treatment of 275,000 acres, a four percent reduction from FY 1987.

The cost per acre, however, drops from $41.24 per acre in FY 1987 to $28.26 per acre in FY 1988.

232. Question: Can you explain this large reduction in the cost per acre? Are the 11,000 you are proposing to reduce the most expensive acres? If so, how will these projects be identified?

Answer: A reduction of $4,024,000 is a 34% reduction from the FY 1987 final with a 4% reduction in acreage. Overall, the President's budget defers treatment of the more expensive, low priority acres. At higher budget levels, these more expensive acres would be treated, thereby raising the cost per acre. The most expensive acres are identified as a part of the local, forest level, fuels analysis assessment.

FIGHTING FOREST FIRES

233. Question: Please provide for the record a breakdown of the use of the $125,000,000 provided in FY 1987 for the fighting of forest fires. Identify any anticipated costs that have not been paid.

Answer: Records indicate $115,350,342 was spent on fire suppression activities during the FY 1986 fire season. A balance of $9,649,658 was carried over for use on FY 1987 fire suppression activities. At this time all known costs have been obligated and are reflected in the balance.

FOREST ROAD MAINTENANCE

In your justification you state that some needed road maintenance work has been deferred because of past funding levels.

234. Question: Would you provide for the record a cost figure, type of work and the number of miles involved with the deferred maintenance? Please include the amount of roads maintained and planned to be maintained in FY 1985, 1986, 1987, and 1988.

Answer: We do not have an accurate assessment of deferred maintenance in terms of a backlog created as a result of past funding levels. Deferral of maintenance activities does not result in an immediate change in road condition that can be readily measured. Instead, the change in road condition occurs over a span of several years as a facility slowly deteriorates. We estimate, however, that approximately 48,200 miles of road originally constructed to a standard suitable for use by normal passenger cars has already deteriorated to a condition where they are now usable only with high clearance vehicles. The cost to restore these facilities to their originally intended condition is estimated at $360,000,000. The work required now exceeds the realm of maintenance, and is more appropriately considered reconstruction.

We also estimate that an additional 55,000 miles originally constructed for normal passenger car use are deteriorating due to unperformed maintenance. If this deterioration is not arrested, those facilities will eventually degrade to the point where they too will be useable only with high clearance vehicles. An additional $33,000,000 in annual road maintenance appropriations is needed to prevent further deterioration and to accommodate existing traffic demands.

The most commonly deferred maintenance activities include replacement of worn surfacing, replacement of drainage structures, roadside brushing, surface blading, dust abatement, repair of slides, and maintenance of signs and traffic control devices.

Following are the total miles of roads maintained or planned to be maintained for each of the fiscal years included in your question:

FY 1985	FY 1986	FY 1987	FY 1988
343,300	340,100	339,440	344,200

FOREST TRAIL MAINTENANCE

Proposed FY 1988 funding for Forest Trail Maintenance is essentially flat at $11,526,000. Yet the number of miles to be maintained is going to decrease 8 percent (54,044 miles in FY 1987; 49,800 miles in FY 1988).

235. Question: Would you explain this decrease in miles.

Answer: We are addressing the need for heavy maintenance to trailheads and trail bridges which has been accumulating for several years. There is a $100,000,000 backlog in trail construction and reconstruction; much of it is for bridges and trailheads.

The recent increases in additional wilderness is also a cause. Trail maintenance cost per mile in wilderness areas runs about 25 percent higher than in non-wilderness areas because of higher transportation costs and efforts to avoid the use of mechanized equipment.

SILVICULTURAL EXAMINATION

You are proposing an increase of $7,330,000 (+35 percent) in silvicultural examination. This increase will provide for silvicultural activities on 5,355,000 acres in FY 1988, an increase of $633,000 acres (+12 percent) over FY 1987.

236. Question: Under this proposal, the cost per acre will increase 17 percent, from $4.42 per acre to $5.26 per acre. Can you explain this increase in the cost per acre?

Answer: The initiative to provide for more advanced sales preparation work in FY 1987 is being continued in FY 1988. The FY 1988 silvicultural examination program is being responsive to various areas of emphasis. The National Forests are trying to prepare sale areas plans and environmental analysis that will:

- replace in FY 1990 and beyond the current levels of reoffer and defaulted sales with new sale proposals.
- provide sale proposals that fully meet current and projected environmental considerations in order to reduce appeals and litigations
- provide for a better distribution of sales into areas not currently accessible as part of the proposed commercial forest land base.

All three of these aspects of the program require a high cost in order to complete them satisfactorily. In addition, because of a decreasing Forest Service workforce, we are anticipating a higher amount of contracting for these efforts and for the increased use of overtime.

TIMBER SALES PROGRAM

In FY 1987, Congress added additional funding of $15,000,000 for advanced timber sale engineering and design activities. These funds were added to enable the Forest Service to be able to maintain the option of continuing historic sale levels in future years.

The reoffer volume created as a result of the Federal Timber Contract Payment Modification Act won't be available forever. About 2.7 billion board feet are to be offered in FY 1988. When that volume is gone, the Forest Service must have sufficient volume of timber sales well along in the planning process to continue an even flow of sales.

237. Question: How much volume is on the shelf now that could be offered to cover part of the shortfall?

Answer: There are currently timber sales in the planning process that will allow approximately 800 million board feet of timber sales to be offered for sale on a one time only basis in FY 1988. These sales only lack the funds necessary to complete the final sale contract, appraisal, road construction specification and contracts, prospectus, advertisement, bidding process, and award procedures.

We estimate that this increased volume of offered timber sales will require additional sales preparation and forest road system costs. This would be about $1.6 million of timber sale preparation funds, $2.2 million of Forest Road funds, and $10.3 million of Purchaser Credit and Purchaser election authorization.

238. Question: If the Forest Service is not ready with sufficient green sales, how would the volume shortage be made up and what would be the impact on stumpage prices?

Answer: The Forest Service timber sale program is sufficiently on line to be able to prepare and offer 11.1 billion board feet of timber sales in FY 1988 and beyond. If the appropriate funding levels requested for timber sale preparation, timber support, and forest transportation systems are provided, as outlined in the President's Budget, the Forest Service will be able to effectively replace the reoffer volumes with new sales in the out years.

The Forest Service timber sales program maintains a level of offer that approximates the harvest level, there should be little or no influence on stumpage prices.

239. Question: How many more years of default volume does the Forest Service have to reoffer?

Answer: It is expected that up to 700 MMBF will be defaulted during each of the next two years. After that time, the amount of high priced stumpage will have been either defaulted, bought out or operated. Reoffer of this defaulted volume will take place during this fiscal year and fiscal years 1988 and 1989.

240. Question: What impact does the Canadian agreement have on the Forest Service timber program, especially as it relates to advanced design and planning.

Answer: The Canadian agreement will have no immediate influence upon the timber sale layout and design program. We anticipate that the Canadian agreement will eventually help the U.S. lumber industry. We do not know yet whether U.S. industry will seek to recapture market shares through increased production and lower prices, or merely by increased prices to increase unit profits.

The Administration's proposed timber sale program for FY 1988 is 11.1 billion board feet.

241. Question: How does that request compare with your request of the Department and the Department's request of OMB?

Answer: The Forest Service request for the timber sales program of 11.1 BBF for FY 1988 was accepted by the Department and by OMB as the level for the President's Budget.

242. Question: Please provide for the record the additional funds needed to support 100 MMBF increments to the FY 1988 timber sale program up to 12.5 BBF. Please include the regions where you would propose to put the increase.

Answer: The attached 100 million board feet increment table builds the increments from 9.3 BBF to 11.8 BBF. Under current program commitments, we do not believe that we can propose to build an increment table that will exceed 11.8 BBF with the present mix of new timber sales, reoffer sales and salvage sales that we have available. We do not have sufficient volumes of new sales prepared in advance to the point where extra funding in FY 1988 will make them available for sale without a serious short fall in the outyears. There are some specific increases in timber sale offer levels that can be made, such as Congressional authorization to offer shelf volume sales. We have not shown or proposed this kind of sale offering in the increment table. The additional volumes of timber sales are primarily in Regions 3, 4, 5, 6, and 8 above the 11.1 BBF level.

NATIONAL
F.Y. - 1988
Timber Sale Costs by New Offer Volume 100 MMBF Increments
(Volume in Billions Board Feet - Dollars in Millions)

		1/																			2/							3/
New Offer Vol.	BBF	5.5	5.6	5.7	5.8	5.9	6.0	6.1	6.2	6.3	6.4	6.5	6.6	6.7	6.8	6.8	6.9	7.0	7.1	7.2	7.3	7.4	7.5	7.5	7.6	7.7	7.8	7.9
Reoffer Offer Vol.	BBF	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Subtotal	BBF	8.2	8.3	8.4	8.5	8.6	8.7	8.8	8.9	9.0	9.1	9.2	9.3	9.4	9.5	9.5	9.6	9.7	9.8	9.9	10.0	10.1	10.2	10.2	10.3	10.4	10.5	10.6
SSF & TIS Offer Vol.	BBF	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2
Total Offer Vol.	BBF	9.3	9.4	9.5	9.6	9.7	9.8	9.9	10.0	10.1	10.2	10.3	10.4	10.5	10.6	10.6	10.7	10.8	10.9	11.0	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8
NFS Timber ----------																												
Planning	MM$	13.6	13.8	13.9	14.0	14.1	14.2	14.4	14.5	14.6	14.8	15.1	15.3	15.6	15.8	16.1	16.3	16.5	16.8	17.0	17.3	17.4	17.4	17.5	17.6	17.7	17.9	18.1
Silviculture	MM$	22.3	22.5	22.6	22.8	23.0	23.2	23.4	23.6	23.8	24.2	24.6	25.0	25.4	25.8	26.2	26.6	27.0	27.4	27.8	28.2	28.3	28.5	28.6	28.7	28.9	29.2	29.6
TM Prep.	MM$	87.7	88.7	89.6	90.6	91.5	92.5	93.4	94.4	95.3	96.3	97.3	98.3	99.3	100.3	101.3	102.3	103.3	104.3	105.3	106.3	106.9	107.6	108.3	108.9	109.6	110.7	111.7
Subtotal	MM$	123.6	124.9	126.2	127.4	128.7	130.0	131.2	132.5	133.8	135.4	137.0	138.7	140.3	141.9	143.6	145.2	146.8	148.5	150.1	151.7	152.6	153.5	154.4	155.3	156.2	157.8	159.4
TM Harvest	MM$	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5	59.5
Total TM	MM$	183.1	184.4	185.6	186.9	188.2	189.4	190.7	191.9	193.2	194.8	196.403	198.1	199.8	201.4	203.0	204.7	206.3	207.9	209.6	211.2	212.1	213.0	213.9	214.8	215.7	217.2	218.8
NFS Support -----------																												
Minerals	MM$	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Fire	MM$	3.3	3.3	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7	3.8	3.8	3.8	3.8	3.9	3.9	3.9	4.0	4.0
Recreation	MM$	6.6	6.7	6.7	6.8	6.8	6.9	7.0	7.0	7.1	7.1	7.2	7.3	7.4	7.4	7.5	7.6	7.7	7.7	7.8	7.9	7.9	8.0	8.1	8.1	8.2	8.3	8.3
Wildlife & Fish	MM$	7.1	7.2	7.2	7.3	7.4	7.4	7.5	7.6	7.6	7.7	7.8	7.9	8.0	8.1	8.2	8.2	8.3	8.4	8.5	8.6	8.7	8.7	8.8	8.9	8.9	9.0	9.1
Range	MM$	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Soil & Water	MM$	6.7	6.8	6.9	6.9	7.0	7.0	7.1	7.2	7.2	7.3	7.4	7.5	7.5	7.6	7.7	7.8	7.8	7.9	8.0	8.1	8.1	8.2	8.3	8.3	8.4	8.5	8.5
Total Support	MM$	25.5	25.7	25.9	26.2	26.4	26.6	26.9	27.1	27.3	27.6	27.9	28.1	28.4	28.7	29.0	29.3	29.5	29.8	30.1	30.4	30.6	30.8	31.1	31.3	31.5	31.8	32.1
Total NFS	MM$	208.6	210.1	211.6	213.0	214.5	216.0	217.5	219.0	220.5	222.4	224.3	226.3	228.2	230.1	232.0	233.9	235.8	237.7	239.6	241.6	242.7	243.8	244.9	246.1	247.2	249.0	250.9
Construction ------------																												
FRP	MM$	143.6	144.9	146.3	147.6	149.0	150.3	151.7	153.0	154.3	155.5	156.6	157.7	158.8	159.9	161.0	162.1	163.2	164.3	165.4	166.5	168.1	169.6	171.2	172.7	174.3	176.5	178.7
(PCP)	MM$	104.2	105.1	106.1	107.0	108.0	109.0	109.9	110.9	111.8	112.4	112.9	113.4	114.0	114.5	115.1	115.6	116.2	116.7	117.3	117.8	118.9	119.9	121.0	122.0	123.1	124.0	124.8
PEP	MM$	9.9	10.0	10.1	10.1	10.2	10.2	10.3	10.3	10.4	10.5	10.6	10.7	10.9	10.9	11.0	11.1	11.1	11.2	11.3	11.4	11.7	11.9	12.1	12.4	12.6	12.7	12.8
Total Construction	MM$	257.7	260.1	262.4	264.8	267.1	269.5	271.8	274.2	276.6	278.3	280.0	281.8	283.5	285.3	287.0	288.8	290.5	292.3	294.0	295.8	298.6	301.5	304.3	307.2	310.0	313.2	316.4

NATIONAL
F.Y. - 1989
Timber Sale Costs by New Offer Volume 100 MMBF Increments
(Volume in Billions Board Feet - Dollars in Millions)

Special Accounts

Timber Salvage Fund	MM$	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.1	18.1	18.2	18.2	18.3	18.4	18.4	18.5	18.5	19.6	18.6	19.2	19.9	20.4	20.9	21.5	21.5	21.5
Tongass	MM$	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.8	41.9	41.8	41.8	41.8	41.3	41.8	41.8	41.8	41.8	41.8
Total Special	MM$	59.7	59.7	59.7	59.7	59.7	59.7	59.8	59.8	59.8	59.8	59.9	59.9	60.0	60.0	60.1	60.2	60.2	60.3	60.3	60.4	61.0	61.5	62.1	62.7	63.3	63.3	63.3
Total	MM$	526.0	529.8	533.7	537.5	541.4	545.3	549.1	553.0	556.8	560.6	564.3	568.0	571.7	575.4	579.1	582.8	586.6	590.3	594.0	597.7	602.3	606.8	611.4	615.9	620.5	625.5	630.5

1/ THIS LEVEL IS THE MINIMUM PROGRAM LEVEL (80%) SUBMITTED BY THE REGIONS.
2/ THIS LEVEL WAS THE AGENCY REQUEST TO THE DEPARTMENT AND THE PRESIDENT S BUDGET.
3/ THIS LEVEL WAS THE HIGHEST LEVEL SUBMITTED BY THE REGIONS.

In the late 1970's a strong demand in the housing market and record prices for lumber pushed timber harvests to record levels. By the early 1980's, the trend reversed itself dramatically and until 1985, the industry experienced the worst markets in sometime, perhaps the worst in the history of the industry.

243. Question: What is the relative level of demand for wood products in 1985, 1986, and 1987, compared to the past five years?

Answer: Demand, as seen through harvest volume for the past five years has been approximately 49.1 BBF, or slightly less than 10 BBF per year. Harvest volume for 1985 and 1986 were 10.9 and 11.8 billion board feet, respectively. Demand for 1987 is anticipated to be about 11.5 billion board feet. Overall, demand for fiscal years 1985-1987 is expected to be higher than the past five year average.

244. Question: How does that demand compare with your projections and do you expect demand to remain strong?

Answer: Current demand compares favorably with our projections. We expect demand to level off in 1987 or 1988.

It appears as though we have probably seen, at least for the moment, an end to the depression that has plagued us for the past half a decade. Actual harvest levels of sales (both old sales and new sales) appear to be increasing slightly to continued record levels.

245. Question: How do current harvest levels compare to volume actually sold?

Answer: Harvest for 1986 was 11.8 billion board feet, with expected harvest to be approximately 11.5 billion board feet for 1987. This 1986 figure is 0.8 BBF more than the 11.0 BBF actually sold. However, this 11.8 BBF is only slightly more than the 11.7 BBF offered for sell in 1986. This indicates that demand is still in line with what is offered and with the existing volume under contract.

246. Question: If harvest continues to exceed the volume sold, aren't we going to see increased prices in the short term?

Answer: We may see an increase in stumpage prices in the immediate future. However, we do not see this increase in price as a reflection of harvest volume being greater than sell volume, but more as a reflection of increased selling values of finished products. It must also be recognized that the average stumpage prices for the past few years reflect the very severe depression the timber industry has recently experienced. Current and immediate future selling values are expected to be reflective of a more stable and healthy industry.

An increase in prices will also make some of the current economically unviable timber sales profitable for some purchasers, thus reducing the volume of defaulted timber sales.

247. Question: Have prices increased any since the announcement of our agreement with Canada?

Answer: Yes, we have experienced a slight upward trend in prices. However, this increase may or may not be reflective of the Canadian agreement, as the Canadian agreement was executed during a time of increased demand. This is evidenced by the fact that prices were also on an upward trend prior to the Canadian agreement. Many economic factors contribute to price fluctuations, with the Canadian agreement probably contributing to the situation.

248. Question: Why are backlogs of timber under contract important to the stability of the forest products industry?

Answer: The timber industry, like any other primary manufacturing industry, needs an inventory of raw material in order to plan their manufacturing outputs. Additionally, National Forest timber sales typically contain a mix of species, sizes and grades of materials. Prudent manufacturers must keep a supply of these different products on hand in order to plan their production based on current end-product orders. Also, many financial institutions require an inventory of raw material (timber sales) as security for long term investments.

249. Question: I understand in some regions, we are already facing a volume-under-contract situation that is well below historical levels. Is that true?

Answer: Some Forest Service Regions are currently experiencing volume under contract volumes below historic levels. However, these historic levels include those years of severe depression in the timber industry during which the volume under contract was much higher than "normal".

250. Question: By region, which regions seem to have less than optimal volumes of timber under contract?

Answer: Normal volume under contract has generally been accepted to be approximately 2 - 2 1/2 times that volume harvested for the western Regions. For the eastern Regions, normal volume under contract is 1 1/2 to 2 times harvest. The Region that appears to have less than this optimum volume under contract at this time is Region 4 (Intermountain Region) with approximately 1.9 times annual harvest currently under contract. All other Regions are within the acceptable levels of volume under contract.

Last year, the actual harvest was about 11.8 billion board feet. This year's proposed program is 11.1 billion. That means we are harvesting 700 million board feet (or 6 percent) higher than you are selling despite the strongest demand experienced in quite some time.

251. Question: Shouldn't we be considering a program in the same general range as actual harvest levels if we expect to maintain a reasonably stable program?

Answer: Yes, we should and we are. The timber sale levels for fiscal years 1985-1987 totals approximately 34.4 BBF offered for sale, while the harvest level for these years is estimated to be approximately 34.2 BBF. We believe this difference of about 1/2 of 1 percent more volume offered for sale than harvested is within an acceptable range of difference.

252. Question: Why should we recommend a sales program less than harvest levels?

Answer: Several considerations should be made when comparing the sale program to the anticipated harvest level. Current volume under contract should be maintained in the 2 to 2 1/2 times harvest range. Currently, this figure is approximately 2 1/4. Additionally, market demand figures should be considered. For each of the past two years, approximately 700 million board feet of timber has been offered for sale and not purchased. This indicates that overall demand is not exceeding the currently available supply.

253. Question: Are there regional distinctions that need to be made?

Answer: Some Regional distinctions should be made. For Region 8 (Southern Region), the normal volume under contract should be about 1 1/2 times harvest volume. For Region 6 (Pacific Northwest Region), the sale program must be planned so that the volume under contract does not exceed the Congressionally mandated maximum of 12.3 billion board feet under contract. In addition to these considerations, geographical supply and demand considerations should be made; provisions for species and product mixes should be made; the necessary 3 to 5 year lead time needed to prepare and offer sales should be considered; and all these considerations need to be balanced against the environmental constraints and land capabilities of the individual National Forests preparing and offering the timber for sale.

254. Question: Can you support a program in the 11.6 to 11.8 billion foot range and if so, what would be the incremental cost of the additional timber sold? Where, by region, would you recommend the additional volume be offered?

Answer: Yes, the National Forests can prepare and offer some additional timber sale volumes in FY 1988 without seriously reducing the outyear flow of timber sale preparation work. The increases in timber sales at an 11.6 BBF program level would be, in million board feet (MMBF):

Region 5	104
Region 6	400

An increase to an 11.8 BBF program level would further add volume, in million board feet to:

Region 3	50
Region 4	50
Region 5	50
Region 8	10

About 131 million board feet of the total increase at both levels would be timber salvage sales.

The total incremental costs for the 11.6 BBF program would be $20.89 million and $29.00 million for an 11.8 BBF level.

255. Question: Do the figures for incremental costs include any additional road construction or reconstruction that might be necessary?

Answer: Yes, the incremental increases include $8.9 million at the 11.6 BBF level and $13.6 million at the 11.8 BBF level for the total Forest Road program and purchaser election costs. These increases do not include $5.3 or $7.0 respectively for Purchaser Credit authorization that would be needed.

GROSS VERSUS NET VOLUME

256. Question: How much of the 11.1 billion board feet program is made up of products other than sawtimber?

Answer: We do not have the exact volume by products for a given level of offer. This varies from sale to sale, and year to year. Since Region 6 has been required to report net merchantable sawtimber volumes as a result of the Federal Timber Contract Payment Modification Act, we have been able to estimate that between 13 and 19 percent of this timber sale offer level is sawtimber equivalent volume. We do not require the Forests/Regions to report this information in advance of having a final timber sale offer program.

There are many factors that determine whether or not a specific sale is made or not in a given year. The changing, missing and adjusting of timber sales will change these percentages. We do have some historical data that shows how much sawtimber and how much other products were sold in a given year by Region. This information does not necessarily have a direct relationship to the exact amount that may have been offered in that year. Unsold sales sold from previous offerings, defaulted sales resold and sales sold and then cancelled, change the mix of volumes offered and finally sold. The amount of sawtimber versus other products varies from 5% to 95% sawtimber or more depending on the stands of trees to be harvested, the sales offered, or the Forest/Region. Eastern and Southern Region timber sales are predominately pulpwood sales where selected trees may be taken as sawtimber. Other Regions offer varying kinds of sales with a mixture of products depending upon stand conditions and market.

257. Question: Could you provide for the record the percentages by Region?

Answer: The following summary shows the percentages of sawtimber versus other products for the volume actually sold in FY 1986:

PERCENTAGE SOLD

Region	Sawtimber	Other Products
1	88.9	11.1
2	71.2	28.8
3	77.8	22.2
4	77.9	22.1
5	92.3	7.7
6	85.5	14.5
8	57.0	43.0
9	56.3	43.7
10	91.6	8.4
National Average	80.4	19.6

258. Question: Also, could you show the historic trend for each region? For example, I understand that, over the past 10 years, Region 6 has changed by 10 or 20 percent.

Answer: The following table shows by Region the percent of sawtimber sold by year from 1977 to 1986:

PERCENTAGES OF SAWTIMBER SOLD

	REGIONS									National
Years	1	2	3	4	5	6	8	9	10	Average
1977	92.3	82.5	88.9	95.2	97.7	90.2	51.8	35.0	89.8	84.7
1978	93.6	86.3	86.5	87.4	98.1	92.1	50.7	38.4	92.5	85.5
1979	93.7	83.7	88.4	88.1	98.0	93.2	53.2	37.5	99.2	86.6
1980	84.6	80.5	84.7	86.3	96.0	88.5	52.7	37.3	92.1	82.2
1981	88.0	78.4	88.9	82.5	96.8	89.6	53.1	40.1	91.3	83.4
1982	89.6	76.4	82.5	68.5	94.8	86.8	54.8	63.5	93.7	80.6
1983	86.4	72.8	82.6	68.0	91.5	85.7	56.2	35.3	85.6	79.1
1984	85.4	60.7	73.6	66.9	90.4	82.2	55.6	32.4	90.3	75.0
1985	86.3	61.3	65.4	65.6	91.6	81.0	57.7	63.3	88.7	74.5
1986	88.9	71.2	77.8	77.9	92.3	85.5	57.0	56.3	91.6	80.4

259. Question: As I understand it, the volume other than sawtimber includes products such as posts, poles, pulpwood, and even firewood that is cut by an individual with a permit for pickup load that will used to heat his home. Is that correct?

Answer: Yes, volume other than sawtimber includes these other products, however, there may be differences between budgeted and forest plan volumes whereas a distinction is made between sawtimber and other products.

260. Question: And those products are, in fact, credited against your timber sale program, is that correct? Why? Has it always been that way?

Answer: Products other than sawtimber are credited towards the budgeted accomplishments. These other products are not always credited as a "drain" of the available timber supply or towards the allowable sale quantity if these volumes are not specifically targeted as such. However, the sale of any timber product is accounted for. One distinction that should be made is that the volume of timber made available for sale from any National Forest is predicated on the allowable sale quantity of timber, expressed as timber and not as the anticipated end-product use of this material. Sale of timber with a product definition of sawtimber, pulpwood, bolts, posts, poles or other products is a result of appraising the timber for its highest value end product use in order to optimize the benefits to the American public. How this timber is utilized and for what products by the purchaser is frequently different than how the value determination is made by the Forest Service.

261. Question: Would I be correct in assuming that those types of products are generally less valuable than sawtimber?

Answer: Not necessarily. The type of product that is offered for sale is the highest value end-product that can be produced from the timber at the time the sale is appraised. Product demand in certain areas and at certain times makes some products and species more valuable in product forms other than sawtimber. Veneer bolts typically have a higher value than sawtimber. Fuelwood in close proximity to urban areas frequently has a higher value than sawtimber. Many species have about equal value as sawtimber or as pulpwood, and will be utilized as both depending on local demand, regardless of how it was identified for sale by the Forest Service.

In terms of a broad generalization, sawtimber generally has a higher value than other products in the western states, except for the central Rocky Mountain area.

262. Question: Can you give me an idea of the difference in value?

Answer: It would be difficult to supply a meaningful comparison of end product values as the products are not valued on a common basis, and have extremely high variables. Sawtimber is sold on a board foot basis, pulpwood on a tonnage basis, veneer on a square foot basis, posts and poles on a linear foot basis, etc. Many other variables enter into the value equations, most notably such factors as product demand, production costs, product and/or species quality, marketing strategies, and product supply. For example, stumpage values for sawtimber frequently can range from no value (when a timber sale has no buyer) to a $1000 per mbf for high quality/high value species such as Port Orford-Cedar or black cherry. Fuelwood values can be as low as 0 in areas of high supply and low demand to as high as $400 per thousand board feet in some urban areas.

263. Question: Would I be correct in assuming, then, that since at least 10 percent of your total program is made up of those kinds of products, and since they are substantially less valuable than the sawtimber, that the current practice of including them in the timber sale program could have the effect of increasing overall program costs on a unit basis such as per thousand board feet?

Answer: The mix of products will effect the relation between average unit costs and revenues. However, some unit costs are fixed costs, so per unit basis costs would rise if these other than sawtimber products were excluded from the program. Again, using a broad generalization, for most western areas, we agree with your assumption that overall program costs are probably higher because of these product mixes.

264. Question: Have you examined this factor in terms of the accusations that are being made about so-called below-cost timber sales and, in your opinion, does this kind of bookkeeping contribute to those kinds of charges?

Answer: We have examined this situation. Overall, the per unit costs are probably higher, particularly in the sale of very small quantities of products, such as individual fuelwood sales.

265. Question: How would you respond to a change in procedures whereby we count only net merchantable volume, and their related costs, when we discuss the Forest Service commercial timber sales program? At the same time, perhaps we should put the non-merchantable volume in a non-commercial sales category (including salvage sales, thinnings for wildlife values, firewoods, etc) and also separate out the related costs for these types of sales.

Answer: This would make our procedures more complicated. We are addressing the procedure of separating out the related costs for our timber sale program. One problem in this procedure would not only involve the separation of costs for timber sales of various products, but the fact that sawtimber sales include volume that is merchantable for other than lumber production. It is frequent and common for sawtimber sales (and Purchasers) to utilize the sawtimber component of the timber sale for timber production and other components of the timber sale for other uses. All timber sales contain some trees or portions of trees that are not suitable for lumber or sawn product production. To separate these components prior to sale of the timber would probably result in higher unit revenues for the sale, but would result in substantially higher unit costs when another product sale would have to be prepared for the sale area to remove the other products. These multiple entries would then result in overall lower unit revenues due to the multiple entries and inefficiencies of operation and a resulting overall higher unit cost to the Forest Service.

You are currently developing new plans for each of the National Forests. The level of timber sale programs under the preferred alternative in each of those plans is expressed in terms of Allowable Sale Quantities (ASQ's); the average annual quantity of timber that can be sold during the 10 year span of the plan.

266. Question: Do those ASQ's also include products other than sawtimber. If so, why?

Answer: The regulations implementing the National Forest Management Act (36 CFR, Part 219) define the allowable sale quantity (ASQ) as "the quantity of timber that may be sold from the area of suitable land covered by the forest plan for a time period specified by the plan". Section 219.16 specifies that the ASQ is provided by the sale schedule in the selected forest land management plan alternative, and that the determination of the sale schedule shall "assume intensities of management and degree of timber utilization consistent with the goals, assumptions, and requirements contained in, or used in, the preparation of the current RPA Program and Regional Guide". Thus, the ASQ includes all planned harvest from suitable lands of commercial timber as defined by the applicable regional utilization standards. It does not include personal use fuelwood or other nonindustrial wood (Forest Service Handbook, section 2409.13), but does include industrial roundwood products in addition to sawtimber products. The potential yield volumes in past timber management plans also included commercial products in addition to sawtimber.

My concern is that the levels of timber sales expressed in ASQ's, are already being lowered from current plan levels in the preferred alternatives of the new plans, and are likely to end up being reduced even further in terms of annual sawtimber sales levels from National Forests. It seems to be that, possibly, separating net merchantable volumes from non-commercial quantities might give people a more accurate volume and cost picture of the level of sales activity on National Forests.

267. Question: Would you provide an analysis of this issue for the record, for both the annual appropriations process and for the forest plan process?

Answer: As explained above, the ASQ's include only commercial or merchantable volumes; they do not include personal use fuelwood or other nonindustrial wood. This volume does include some industrial roundwood in addition to sawtimber, but the great majority of the volume is sawtimber. The same is true of the volume reported in the budgeting process. However, this latter volume does include some merchantable wood not chargeable against the ASQ, because it was not part of the calculations used in determining the ASQ. This nonchargeable volume might include, for example, some dead tree volume or harvests on unsuitable lands. Our goal is to offer the full ASQ volume plus that additional nonchargeable volume needed to meet multiple use objectives and to prevent waste of merchantable wood, subject to adequate appropriations and markets.

IDAHO FOREST MANAGEMENT PLANS

According to the recent Forest Service study of Idaho's timber supply, the timber industry generates about $1.1 billion dollars of income within the State. This means that the timber industry generates about $55 million in States tax revenue (based on the average state tax rate on taxable income of 5 percent). In other words, each thousand board feet of timber harvested and processed in Idaho eventually generates about $32. About 75 percent of the State's budget goes for education.

268. Question: Given the limited opportunity for private and State lands to increase or even maintain harvest levels, what do the proposed land management plans imply for the Idaho State treasury and the State's schools?

Answer: The referenced Forest Service study, "A Report on Idaho's Timber Supply", looked at various timber supply scenarios for both northern and southern Idaho. For northern Idaho, the study indicated that timber supply is adequate to maintain and even increase timber harvest levels above the historic annual median harvest level (1975-1984) for the next 10 years. The preferred alternatives for the northern Idaho national forests represent a 12 percent increase (54 million board feet) over the historic average annual harvest from these forests (1975-1984). In southern Idaho, the study indicates that the private nonindustrial, other public, and State lands have adequate timber inventories to increase their harvest levels to collectively offset declines under the preferred alternatives for the national forests' in order to maintain the historic annual median harvest level (1975-1984) through the year 2000. The preferred alternatives for the southern Idaho national forests represent a 5 percent decrease (14 million board feet) from the historic average annual harvest from these forests (1975-1984). However, the preferred alternatives are subject to change as final forest plans are released. The Idaho timber supply report is one source of information that will be considered in selecting the final preferred alternatives.

STATUS REPORT - TIMBER SALE ACCOUNTING

Last May, the House Interior Appropriations Subcommittee requested that GAO explore the issues involved in determining the costs and benefits of selling National Forest timber. Since that time, the GAO and the Forest Service have had a series of discussions and negotiation sessions.

It is my understanding that the Forest Service is optimistic that the work with GAO could lead to a better compilation of the financial statement of the Forest timber sale program.

Since the new system won't be released until later this month, I don't want to waste a lot of time on details. However, I would like to ask a few questions on my understanding between the proposed system and the old system.

269. Question: Is it accurate to state that the current procedure of the Forest Service is to account in terms of planned expenditures and not actual expenditures? In other words, the plan or the allocations to the districts, is what is reported back as "actual", rather than actual results?

Answer: No, the Forest Service accounting system, a subsidiary of USDA's central accounting system, collects the actual expenditures. The principle rule of the Forest Service is that all expenditures are charged on an actual basis.

270. Question: If yes, then could a Forest Supervisor in a particular forest without much of a timber program, move funds from his/her timber program into his/her recreation program? If yes, how do we really know how much was actually spent on those programs?

Answer: Each Forest Supervisor is limited in the amount of appropriated funding that may be moved from one budget line item to another. The Regional Forester is given the authority to move no more than $250,000 between budget line items. To move more, he must request Washington Office approval. Within the total appropriated funds for a given Region, this is a very small percent.

The Forest Service accounting system will show how the funds were actually spent when compared to the National, Regional and Forest allocations.

271. Question: How will the GAO/FS proposal change that procedure?

Answer: The GAO/FS proposal should represent the proper incentives for field units to improve their methods of collecting financial information. Our proposed new budget structure and reprograming guidelines would help implement the new timber sale cost accounting system as well as improve the accuracy of the information.

272. Question: How will this recommendation be tested?

Answer: Performance testing will begin following Congressional acceptance of the recommendations and in the second half of FY 1987 during initial implementation, and throughout FY 1988, until all forests are installed in FY 1989.

BELOW-COST SALES ISSUE

273. Question: How much of a contribution to the so called below-cost argument do forest system roads provide under the current accounting procedures?

Answer: In a report of costs and revenues similar to many of the "below-cost" reports generated by a variety of groups and organizations to date, road construction costs have generally been charged to a single year. However, the roads in question may benefit other resource programs such a recreation, fire control, and wildlife as well as future timber sales well beyond the single year in which they are built. Most road construction is financed through the timber program, even though the roads benefit other resources.

274. Question: Will this change with the new GAO/FS accounting procedures?

Answer: The Forest Service and GAO have agreed on a system that will handle road costs as follows:

1. Roads that will be permanently closed after harvest (roads that will not become part of the transportation system) will be expensed over the period in which the timber is removed from the specific sale. To do this, the road's cost will be placed in the sale activity pool (pool 1)--the pool covering costs that can be attributed to identified sale areas.

2. Roads that will remain after the harvest (system roads) will be placed directly in the growth activity pool (pool 2)-- the pool covering costs that can be traced to a timber management cost center but not to a specific sale.

These costs will be added in to the pool 2 balance and then figured on an annual basis by the following formula:

$$\frac{\text{Balance of costs in pool}}{\text{estimated volume of harvestable timber in timber management cost center}} \times \text{timber volume harvested that year} = \text{annual allowance}$$

We have also agreed that it is appropriate to write off a portion of the cost of these roads, as well as any similar capital-type costs, against nontimber uses when an actual dollar amount is identified at the time the road is built as having been incurred specifically for that purpose or use. For example, if the Forest Service decided that a logging road should initially be built to a higher standard so that it could later be used for public access to campgrounds, lakes or hunting areas, the additional construction costs incurred to achieve the higher standard would not be charged to timber in cost pool 2.

275. Question: Do you initially construct a significant amount of new roads for other than timber access purposes?

Answer: No. Nearly all new road construction is for timber access purposes initially. Other resource areas may benefit from use of the roads after construction, such as recreation and fire protection.

276. Question: Do you currently treat roads as a depreciable capital asset or are you required to write them off against, for instance, a single timber sale?

Answer: No. Under the Purchaser Credit program, it is required that the initial timber sale requiring the road include the purchaser credit against the stumpage value of that sale in the timber sale contract. Roads are not treated as a depreciable capital asset. The entire initial cost is born by the initial sale requiring the work.

277. Question: What is the average life-span of a forest road?

Answer: The road prism is considered to last for the life of the resources served. In the case of timber access, this would be the rotation age of the stand which varies from 60 to 160 years. It is anticipated that after periodic maintenance, some reconstruction will be required every 20 years.

278. Question: What would be the effect on a so called below-cost sale if the initial cost of a road were spread not only over the volume of timber initially harvested, but against all the timber attributed to the road that would be harvested during the entire useful life of that road?

Answer: If the costs were spread against the long-term timber hauled over a road, the effect on a below-cost sale initially requiring the road would be significantly reduced. An example is a road serving an area that would have similar volume hauled over it every 10 years. If the rotation age of the stand was 80 years, only 12.5 percent of the original construction cost would be attributable to the initial sale.

Despite the fact that opponents of the road program continue to argue that timber harvest is the sole purpose for road construction, the Explanatory Notes that accompanies this year's budget request noted that 83 percent of the forest road system road use is for recreational purposes.

279. Question: Can I assume that a lot of recreational use is driving to a favorite fishing hole or to a favorite hunting campsite, sometimes over roads that are unpassable by two-wheel drive passenger vehicles but are still inventoried as a part of total system roads?

Answer: Yes, during fiscal year 1986 alone, nearly 32 million hunting and fishing user days were experienced on the National Forests. Except for occasional fly-in parties, access for hunting and fishing is provided by the forest development road system. Some of this access will be over very low standard roads that are useable only by high clearance vehicles.

280. Question: Can I also then assume that without those roads, hundreds or even millions of hunters and fishermen, not to mention picnickers, berry pickers, and wood gathers might not be able to enjoy their form of recreation as fully as they are currently able to do because of the access provided by roads originally constructed for timber harvest purposes?

Answer: Yes, for example, in 1986, 226.5 million visitor days of recreation use, including the 32 million hunting and fishing user days mentioned earlier, occurred on National Forest System lands. The majority of the access for this use must be provided by the forest development road system. During recent years, 95% of all new roads constructed were associated with the timber harvest program. Even though these facilities were constructed initially for timber harvest, they do provide needed access for other management, protection or utilization purposes, including recreation use.

281. Question: Has the Forest Service made any attempts to identify the value of the forest system to the recreational component of multiple-use management? In other words, have you been able to identify that part of the initial cost of a road that should, by all rights, ultimately be charged to recreation?

Answer: No, the Forest Service has not attempted to assign the initial construction cost or subsequent reconstruction costs, to the various resource management programs that might ultimately benefit from the road. We do, however, estimate that over the years the Forest Service has invested approximately $4.6 billion in its road system. We also estimate that the value, using 1985 RPA values, of recreation use that occurred on National Forest System lands during 1986 alone was approximately $1.7 billion. Most of this recreation use is dependent upon the access provided by the forest development road system.

282. Question: Which is more important as a factor in wildlife and fisheries management, the total miles of road in a system, the overall density of roads, or the density and mileage of open roads?

Answer: Generally, wildlife and fisheries resources are affected in different ways. Fisheries resources are most affected by location of roads. Roads constructed immediately adjacent to streams will have a greater effect than those located away from stream courses. Proximity influences direct effects such as on riparian vegetation, stream banks, and water quality. Indirect effects such as fishing pressure brought on by close proximity may also occur. Therefore, the most important factor in fisheries management is the miles of open road in close proximity to streams or lakes.

Wildlife resources, on the other hand, are mostly affected by the density of open roads. The higher the density of roads open to use, the greater the chance for disturbance of wildlife.

283. Question: Would you define "open" roads for the record?

Answer: Open roads are those that are available for use by motorized vehicles, exclusive of ORV's. Although condition of the road may limit use to certain kinds of vehicles, such as high clearance trucks, there are no restrictive devices or barriers that have been placed on the road to stop or prevent use.

284. Question: How may recreation programs generate net revenues for the federal treasury?

Answer: We can only speak to those activities under Forest Service jurisdiction and not to other Federal agencies or programs. Concessionaire operations of Forest Service campgrounds, resorts, and some recreation residence fees for specific individual lots may have a positive return to the treasury.

Concessionaire operation of Forest Service campgrounds are leased on a percent of gross receipts. The Forest Service is responsible for heavy, landlord types of maintenance, such as refurbishing capital investments and utility systems. In any one season, depending upon what heavy maintenance had to be done, these sites are expected to generate net revenues.

There are in excess of 600 commercial resorts, ski areas, stores, and outfitting and guide operations on the National Forest. In all but a few cases the fees paid are a percent of sales. Depending on administration costs, we estimate one-half of these have a net return to the treasury.

Recreation residence fees are based on appraisal of the lot value. In areas with high land values, receipts would exceed administrative costs.

285. Question: Of all the different types of recreational opportunities provided on national forest lands, are any of them profitable? If so, which ones?

Answer: Historically, the Forest Service has encouraged the private sector to undertake those recreational activities where a profit opportunity exists. This includes resorts and ski areas. In an effort to reduce the size of the Forest Service work force and the Federal deficit, we initiated a concessionaire campground program where a private operator could be expected to provide the same level of public service.

I hear a lot of talk about how timber harvesting, mining activity, road construction and so forth are detrimental to wildlife. There are a number of studies now emerging that show that foot traffic, hiking if you prefer, can be more disruptive and result in more wildlife displacement than does road travel.

Such issues will likely never be resolved to the satisfaction of all those embroiled in the controversy but in the interest of keeping the record straight, I'd like to read a short article that recently appeared in the publication of the Idaho State Fish and Game Department.

Let me preface it by saying that most people recognize Idaho as one of the premier elk producing States in the Nation, second only to the great State of Colorado in hunt success each year; and I'm confident that we will soon catch up! Let me also remind everyone that just over 150 years ago, Lewis & Clark were making their way through the very heart of Idaho on their journey of great discovery to the Pacific Ocean. They almost starved to death while in the mountains of Idaho because there were no game present for them to hunt and eat.

Today, those very mountains are at the center of a lot of controversy, much of it focused on the Forest Service and around the Agency's budget. The article:

> ELKS FACTS QUESTIONED (from Idaho Wildlife, Nov/Dec 1986)
>
> A reader called to question Lonn Kuck's statement in the Sep/Oct issue that early trappers, hunters and explorers found elk prospering throughout Idaho. She told me that the first elk seen in her area -- northern Idaho -- were brought there in railroad cars in the 1930's.
>
> I checked the standard reference work on the subject, Elk of North America, and learned that elk were most plentiful in eastern Idaho and near the mountain, but apparently were absent from the Panhandle.
>
> "Lewis and Clark spent 30 days crossing the state and reported the following: 'June 27, 1806...The Indian informs us that there is a great abundance of elk in the valley about the fishery on the Kooskooske [sic: Kooskia] River.' The expedition had hunters continuously searching for wildlife, but Lewis and Clark did not report seeing or killing an elk while in Idaho.
>
> "With the discovery of gold at Pierce, Idaho, in 1860, and subsequent settlement of the state, the elk population declined. By 1914 only a few scattered herds existed. The first recorded estimate of elk numbers was published in the U.S. Forest Service census in 1918. It estimated 610 elk present on national forest lands.
>
> "A translocation program was initiated in 1915 and proceeded through 1946. During that time, 675 elk were obtained from Yellowstone National Park and Jackson Hole, Wyo., and translocated throughout Idaho. The translocation program and proper management enabled elk to become re-established in 40 of Idaho's 44 counties.
>
> Today, some 120,000 elk inhabit Idaho -- quite an improvement in just 72 years!

And so, despite the doomsday predictions for wildlife as a result of commodity related activities on national forest lands, at least some of the wildlife, is thriving. I hope that some day opponents of timber harvesting and road programs will stop playing games with the minds and intelligence of our citizens and begin to focus on real problems instead of fairy tales.

BALANCED PROGRAMS IN THE BUDGET

286. Question: Are there any Agencies, other than the Forest Service, with any responsibility for the sale of timber from National Forest lands?

Answer: There are no other agencies, companies or organizations that have any responsibilities for selling timber sales from National Forest managed lands. The only exception is where a previous owner of lands purchased and/or exchanged by the Forest Service retained the legal removal rights to the standing timber as a condition of the transfer of ownership. These individuals and or companies have retained the right and do remove standing timber from National Forest lands at no cost and no value to the Government.

287. Question: As important as recreation and wildlife are, it is extremely difficult to adequately fund them. Are there any other Agencies with responsibility for wildlife, fisheries, and recreation programs within the National Forests? If so, would you name a few of those Agencies for the record, tell me a little about their responsibilities, and perhaps give me an idea as to how much they spend on National Forest lands or on projects related to the management of animals, birds, fish and recreation on those lands.

Answer: Recreation and wildlife are very important programs on the National Forests. Each year we receive approximately 225 million visitor days of use from recreationist including hunters and anglers. This is equivalent to every man, woman, and child in America spending 12 hours on the National Forests. By comparison, the National Park Service receives about 105 million visitor days. No other Federal agency has responsibility for recreation on the National Forests. There are a few State and local campgrounds under special use permit located on the National Forest System where the mission and operations are compatible with those of the Forest Service. On the National Forest, the individual States have responsibility for direct management of the wildlife and fish resource. The Forest Service is responsible for the management of the habitat and works very closely with the State Agencies.

The Forest Service is responsible for wildlife, fish, and sensitive plant resources on National Forest System lands. To accomplish the goals established for these resources through forest plans, the Forest Service recognizes the role of the States to manage these resource populations and the role of the U.S. Fish and Wildlife Service in endangered and threatened species.

Sikes Act agreements have been developed with State wildlife and fish agencies in 42 States. These agreements detail the planning, inventory, habitat improvement activities, and monitoring of populations and habitat which are needed to meet the jointly developed wildlife, fish, and sensitive plant goals. Forest Service and State agencies work together in all of these activities to meet the annual objectives. The administration of the hunting and fishing seasons is an activity which is managed by the States. No estimate is available on the amount of money invested by States for management on National Forest System lands.

The U.S. Fish and Wildlife Service acts in an advisory capacity to the Forest Service in matters pertaining to wildlife and fish on National Forest System lands. The primary involvement is in informal and formal consultation of threatened and endangered species, and species which are proposed for listing. Some fisheries and wildlife research is conducted by the Fish and Wildlife Service on the national forests. Threatened and endangered species law enforcement on national forests, for species such as the wolf and grizzly bear, and for migratory waterfowl in the wetland and green tree reservoir hunting areas on national forests are accomplished cooperatively. The total of funds spent by the Service for these programs has not been determined.

Where other Federal agency lands, such as the Park Service, Defence Department, and Bureau of Land Management, are located within the boundaries of the National Forest or National Grasslands, cooperative programs in wildlife and fisheries are developed to assure there is a good understanding and joint approach to wildlife and fish goals within the Federal agencies and the State. No estimate has been made of the funds spent for these programs within national forest boundaries.

I have asked the Congressional Research Center to compile a list of those Federal agencies that spend appropriated funds for the enhancement and protection of fisheries in this Country. I have not yet pursued similar figures for wildlife. The list is rather extensive and includes some Agencies that one might not normally associate with fisheries protection. However, the point is that in FY 1985, the year which we have the most recent figures, those Agencies spent over $2 billion! The narrow focus of the never-ending debate over National Forest land use before this and other Committees continues while we seldom raise our heads high enough to look around us and see what is really happening. Perhaps some day the American people will tire of the doom-sayers and allow us to get on with the important job of managing this Nation's natural resources instead of continually squabbling over them.

CONSTRUCTION

RECREATION CONSTRUCTION

288. Question: Please provide for the record a list of recreation construction projects you would undertake if Congress provided funds at a level consistent with FY 1987.

Answer: Regional Foresters have provided, in their priority order, lists of projects that will cover many years. We are providing a part of this list for about $16.8 million, the FY 1987 final appropriation. Road construction and reconstruction are a major part of most recreation facility projects. These projects would require an additional $3,587,000 in road construction funds. The list provided assumes priorities do not change this field season due to unforeseen circumstances. (On the list, in the column labeled "Selected", the letter "P" means the project is in the President's Budget. The letter "S" designates the additional projects.

No.	State	Forest	Project Site or Name	Kind	Rec $	Selected	Road $
1	MT	Deerlodge	Piney Bay Campground rehabilitation	R	65	P	13
1	ID	Clearwater	W&S River, Fisk Lk A'field, M-L th's	R	36	P	27
1	MT	Nezperce	Nezperce rehabilitation projects	R	64	P	32
1	MT	Custer	Big Ice Cave, Sioux site rehabilitation	R	37	P	11
1	MT	Beaverhead	Antone th, Wade Lade & Cottonwood cg	R	48	P	25
1	MT	Kootenai	McGillivary boat ramp	R	135	P	0
1	ID	Idaho Panhandle	Honeysuckle, Kit Price, Priest Lake cg	R	107	P	0
1	MT	Lewis & Clark	Marias Pass, Dupuyer trailheads	R	63	P	153
1	MT	Flathead	Lost Johnny-Abbott, N trailheads	R	68	P	125
1	MT	Helena	Copper Crk, Helena th's & Park Lk	R	32	P	7
1	ID	Clearwater	Eliz & Weitas th's, w&s rv access +Hel	R	109	S	110
1	MT	Beaverhead	Six rehabilitation projects	R	41	S	41
1	MT	Gallatin	Yellowstone, Gallatin cgs & AB th's	R	62	S	120
1	ID	Idaho Panhandle	Samowen campground	R	83	S	102
1	MT	Lolo	Seely lake campgrounds	R	150	S	130
2	ALL	All	Regionwide planning, survey and design		95	P	0
2	WY	Medicine Bow	Rob Roy Campground construction	N	90	P	30
2	CO	Pike and San Isabel	South Park toilet vaults	R	120	P	0
2	CO	San Juan	Chimney Rock observation tower	N	43	P	0
2	CO	Arapaho-Roosevelt	Toilet vault replacement	R	259	P	0
2	SD	Black Hills	Host power hookup and use conversion	R	36	P	0
2	CO	White River	Deep Lake Campground rehabilitation	R	29	P	14
2	CO	White River	Officers Gulch group site completion	N	25	P	0
2	WY	Bighorn	Bucking Mule, West Tensleep, Edelman th	R	43	P	212
2	CO	Routt	Slavonia trailhead	N	21	P	0
2	CO	Rio Grande	Crestone well	N	10	P	0
2	SD	Black Hills	Centennial trail parking lots	N	21	P	0
2	CO	Rio Grande	Trujillo Meadows Campground construction	N	60	P	40
2	CO	San Juan	Upper Hermosa trailhead	N	33	P	0
2	CO	Grand Mesa,Unc,Gun	Crag Crest trailhead toilet	N	12	P	0
2	WY	Medicine Bow	Lakeview Campground expansion	R	65	P	12
2	CO	Pike and San Isabel	Manitou Park rehabilitation	R	55	P	265
2	CO	Arapaho-Roosevelt	Brainard Lake road	R	0	P	290
2	CO	Grand Mesa,Unc,Gun	Lakeview Campground rehabilitation	R	100	S	83
2	CO	Pike and San Isabel	O'Haver Campground rehabilitation	R	29	S	18
2	SD	Black Hills	Angler parking lots and two toilets	N	15	S	62
2	SD	Black Hills	Harney Peak lookout tower	R	30	S	0
2	CO	White River	Deerhammer Campground rehabilitation	R	16	S	0
2	CO	White River	Weller, Lostman, Lincoln Gulch Cg rehab	R	36	S	0
2	CO	Grand Mesa,Unc,Gun	Lake Irwin Campground rehabilitation	R	49	S	45
2	CO	Grand Mesa,Unc,Gun	Jumbo Campground rehabilitation	R	39	S	14
2	CO	Routt	Meadows Campground rehabilitation	R	32	S	0
2	CO	White River	Chapman Cg and Ruedi toilet rehab	R	48	S	0
2	CO	Arapaho-Roosevelt	Campground rehabilitation, forestwide	R	80	S	0
2	WY	Shoshone	Brown Mtn Cg and Wood River Cg dikes	N	25	S	0
2	CO	Grand Mesa,Unc,Gun	Little Bear Campground rehabilitation	R	59	S	18
2	CO	White River	Blanco Campground rehabilitation	R	5	S	20
2	CO	Routt	Teal Campground	N	101	S	50
2	CO	Arapaho-Roosevelt	Chambers Lake Campground rehabilitation	R	231	S	127
2	CO	Arapaho-Roosevelt	Green Ridge Campground rehabilitation	R	90	S	284
2	WY	Shoshone	Dead Indian Cg water system rehab	R	50	S	0
3	AZ	Tonto	Bartlett Lake complex phase 1	N	65	P	65
3	AZ	Coronado	Reef Campground construction	N	131	P	47

No.	State	Forest	Project Site or Name	Kind	Rec $	Selected	Road $
3	AZ	Apache-Sitgreaves	Rim Lake cul-de-sac's phase 1	N	71	P	0
3	AZ	Coronado	Upper Madera Canyon picnic ground	N	168	P	42
3	AZ	Apache-Sitgreaves	Aspen Campground	E	152	P	79
3	AZ	Apache-Sitgreaves	Rim Lakes cul-de-sac's phase 2	N	71	P	148
3	NM	Carson	Cimarron Campground construction	N	149	P	32
3	AZ,NM	Regionwide	Survey and design		35	P	35
3	AZ	Coconino	Upper Lake Mary boating site	N	164	S	152
3	AZ	Tonto	Coon Bluff picnic ground	N	37	S	13
3	AZ	Coconino	Lower Lake Mary picnic boating site	N	107	S	128
3	NM	Lincoln	Argentina, Bonito trailhead	N	51	S	0
3	AZ	Coconino	Harrows picnic, boating site	N	141	S	171
3	AZ	Coconino	Kachina Peaks Wilderness trailheads	N	30	S	20
3	NM	Gila	Willow Creek complex	R	75	S	0
4	ALL	ALL	Advance survey and design	R	134	P	20
4	UT,ID	Wasatch-Cache, Boise	Water, sanitation and rehab (2 sites)	R	50	P	30
4	CA	Toiyabe	Lower Twin Lk Cg and angler parking	R	33	P	121
4	UT	Dixie	Spruces Campground rehabilitation	R	110	P	0
4	UT	Utah Forests	Cg host wastewater facilities (9)	N	63	P	0
4	UT	Wasatch-Cache, Uinta	Campground water rehab & VIS (4 sites)	R	100	S	0
4	UT	Wasatch-Cache	Trailhead rehabilitation, (2 sites)	R	42	S	63
4	ID,UT	Sawtooth, Uinta	Water, sanitation and rehab (4 sites)	R	117	S	46
4	ID	Payette	Campground and trailhead rehab (2 sites)	R	44	S	49
4	UT	Fishlake	Chalk Crk flood repair (3 sites)	R	131	S	0
4	ID	Targhee	Sanitation and parking, Last Chance	N	62	S	135
4	ID,UT	Sawtooth, Dixie	Sanitation and flood repair, (2 sites)	R	88	S	0
4	ID	Boise	Grayback Campground group site expansion	N	88	S	19
4	UT	Uinta	Cascade Springs VIS site rehabilitation	R	99	S	87
4	UT	Uinta	Granite Flat Cg toilet rehabilitation	R	219	S	0
4	WY	Bridger-Teton	East Table ramp and group area rehab	R	235	S	60
4	UT	Ashley	Grandview trailhead rehabilitation	R	102	S	90
4	ID,UT	Sawtooth, Uinta	Toilet and trailhead rehab (2 sites)	R	117	S	4
4	UT	Wasatch-Cache	Magpie Campground water	R	83	S	0
5	CA	San Bernardino	Heart Bar complex	R	365	P	675
5	CA	Klamath	Kangaroo Lake	R	85	P	80
5	CA	Eldorado	Icehouse sanitation	R	145	P	0
5	CA	Regionwide	Misc small projects	R	90	P	0
5	CA	San Bernardino	Jenks Lake recreation area	R	450	S	60
5	CA	Lake Tahoe Basin MU	Tallac historic sites	R	100	S	0
5	CA	Inyo	Tioga Pass, et al	R	232	S	259
5	CA	Tahoe	Fuller Lake Campground	R	135	S	190
5	CA	Lassen	Almanor day use area	R	175	S	62
5	CA	Six Rivers	Forestwide sanitation	R	120	S	0
5	CA	Regionwide	Misc small projects	R	100	S	0
5	CA	Lake Tahoe Basin	Tallac historic sites	R	125	S	0
6	WA	Mt.Baker-Snoqualmie	Heather Meadows phase II	R	289	P	174
6	OR	Siuslaw	Cape Perpetua interpretive site	R	440	P	57
6	ID	Wallowa-Whitman	Pittsburg Landing phase I	R,N	291	P	273
6	OR	Suislaw	Horsfall, Sutton Campgrounds	R	233	P	321
6	WA	Wenatchee	Kachess, Salmon LaSac	R	81	P	0
6	OR	Wallowa-Whitman	Phillips Reservoir	R	51	P	0
6	OR	Umpqua	South Shore Diamond Lake	R	216	P	166
6	OR	Malheur	Magone Lake	R	168	P	60
6	WA	Gifford Pinchot	Mt St Helens NVM projects	N	572	P	207
6	OR,WA	Regionwide	Small Projects, Survey and Design	R,N	87	P	40
6	OR	Olympic	Big Creek, Brown Creek	R	74	P	0
6	ID	Wallowa-Whitman	Hells Canyon Creek	R	194	P	0
6	OR	Winema	Aspen Point, Fourmile Campgrounds	R	58	P	22
6	OR	Wenatchee	Eightmile, Entiat	R	189	P	132
6	OR	Mt. Hood	Timberline Lodge plumbing, heating	R	1,750	S	0
6	OR	Mt. Hood	Trillium Lake Campground	R	209	S	333
6	OR	Umpqua	Thielsen Butte, S Umpqua Falls	R	187	S	23
6	OR	Mt. Hood	Lost Lake Campground	R	225	S	360
8	GA	Chattahoochee-Oconee	Anna Ruby Falls toilet	R	231	P	0
8	LA	Kisatchie	Corney Lake dam rehabilitation	R	55	P	0
8	MS	Mississippi	Big Biloxi water and sanitation phase I	R	149	P	0
8	MS	Mississippi	Big Biloxi water and sanitation phase II	R	20	S	0
8	VA	George Washington	Sherando Beach-bathhouse rehabilitation	R	82	S	0
8	PR	Caribbean	El Yunque water rehabilitation	R	110	S	0
8	FL	Florida	Alexander Springs water rehabilitation	R	183	S	0
8	TX	Texas	W&S rehabilitation 4 areas	R	176	S	0
8	TX	Texas	Lake Davy Crockett dam rehabilitation	R	87	S	0

No.	State	Forest	Project Site or Name	Kind	Rec $	Selected	Road $
8	NC	North Carolina	W&S rehabilitation 9 areas	R	136	S	0
9	All	Regionwide	Survey & design FY 89 projects	R	122	P	96
9	MN	Superior	BWCA toilets replacement	R	58	P	0
9	NH	White Mountain	Forest Lagoon reconstruction	R	33	P	0
9	MN	Superior	BWCA "Wolf Center" reconstruction	R	88	P	0
9	MN	Superior	Fall Lake dam reconstruction	R	244	P	0
9	WI	Chequamegon	Mondeaux dam structure repair	R	44	P	0
9	NH	White Mountain	Ammonoosuc Ravine trailhead	R	29	P	21
9	PA	Allegheny	Webb's Ferry road surfacing	N	0	P	29
9	MN	Superior	BWCA access road reconstruction	R	0	P	150
9	NH	White Mountain	Russel & Hermit septic rehab	R	104	S	0
9	MI	Huron-Manistee	Baldwin.Dorner.Island toilets replace	R	66	S	0
9	MI	Hiawatha	Carp R fishing site & CCC shelter rehb	R	125	S	0
9	MI	Huron-Manistee	Lk Michigan rec area rehabilitation	R	120	S	0
9	MI	Huron-Manistee	Nichols and Sand Lake Campground rehab	R	106	S	7
10	AK	Regionwide	Survey and design		32	P	0
10	AK	Tongass-Ketchikan	K15 Campground	N	156	P	0
10	AK	Tongass-Stikine	Anan bear observatory	R	12	P	0
10	AK	Tongass-Ketchikan	Information displays	N	20	P	0
10	AK	Chugach	Child's Glacier	N	101	S	81
10	AK	Tongass-Chatham	Mendenhall VC parking rehabilitation	E	125	S	350

FOREST ROAD CONSTRUCTION

In FY 1986 and FY 1987, bill language was added directing the Forest Service to decrease average cost per road per road mile of timber roads by 5 percent each year.

In FY 1986, the Forest Service was successful in attaining a reduction in the range of 6 to 7 percent.

289. Question: What sort of success do you anticipate in FY 1987?

Answer: Each Region was given a target road unit cost based on the direction contained in the FY 1987 Appropriations Bill. It is anticipated that these unit costs will be achieved.

290. Question: If this language is not added in FY 1988, do you anticipate that these per mile road costs will stabilize?

Answer: Yes, the costs should stabilize at approximately the FY 1987 levels. Significant reductions in unit costs had been achieved prior to the direction contained in the FY 1986 and 1987 Appropriation Bills due to Forest Service initiatives to reduce costs of road construction, reconstruction, and engineering support activities. Further reductions in unit costs may not be possible without detrimental effects to road utility due to road standards not meeting the requirements for the mix or volume of traffic anticipated. Generally speaking, the road designs now employed are considered the minimum necessary to serve the estimated traffic and to protect the resources.

Abrupt reductions in program volume would cause momentary (1 or 2 year) significant increases in the gross unit costs until we were able to down size our physical plant and personnel.

291. Question: Please provide for the record, by region, the FY 1985, FY 1986, and anticipated FY 1987 road costs per mile?

Answer: The gross unit costs for Forest Road Program, Purchaser Construction Program and the Purchaser Elect programs, including engineering support costs, are displayed in the following table.

Region	Actual FY 1985 (M$)	Actual FY 1986 (M$)	Estimated* FY 1987 (M$)
1	40.77	37.86	38.95
2	35.96	44.04	30.96
3	40.11	26.33	25.82
4	40.07	39.62	37.96
5	51.47	50.76	62.15
6	49.79	48.35	52.41
8	32.03	36.01	34.56
9	34.17	41.56	32.58
10	103.93	83.26	153.79
National	43.15	43.20	44.72

*The unit cost "target" provided by the Congress in FY 1987 was limited to timber roads only and does not include recreation or general purpose road outputs and costs as did previous years' targets. We do not expect to be able to disaggregate those specific expenditures until years end.

292. Question: What would be the impact if the purchaser election program was opened up to all companies?

Answer: It is estimated that, if permitted, 40 percent of large business purchasers would elect to have the Forest Service construct the road. This is due to the fact that more road construction is already done by subcontractors as a result of elimination of company road crews. There will be a delay in the availability of some timber for harvest and an estimated 6 to 8 percent or $6 to $8 million dollars. This is because of increased contract preparation, award, and administration costs; and increased construction cost due to minimum wage rates required in service contracts of this nature.

LAND ACQUISITION

Land acquisition has been a touchy political situation for a number of years. The Administration doesn't request funds for land acquisition because they don't want to buy any additional land.

Congress disagrees with that decision and always ends up restoring funds in the land acquisition account. Unfortunately, when Congress restores the funds it is done without a priority listing from the Forest Service.

Realistically, Congress will probably not approve your low land acquisition budget request this year. The funds added by Congress, however, could be minimized if a priority list of acquisitions was developed by the Forest Service. To be successful, it would be essential that the criteria used to develop this list be based on solid land management principles.

293. Question: Could the Forest Service develop that kind of a list in time for the FY 1988 appropriations cycle?

Answer: It would take 4-6 weeks to get needed information from the field, however, the Forest Service will continue to prioritize Congressional requests.

294. Question: What would be the essential land management principles used to develop this criteria?

Answer: National forest land ownership adjustment plans are developed within the Forest Land Management Plans to achieve the following objectives:

- Enhance the multiple use and sustained yield of the goods and services from the National Forest System.
- Protect and improve the quality of renewable resources.
- Protect and preserve important historic, cultural, and natural aspects of the national heritage.

- o Provide for access, use, and enjoyment of the forest resources by the public.
- o Improve administrative efficiency and effectiveness of the National Forest System.

For individual budget cycles, Forests identify those high priority tracts that are available or are expected to be available on the open market. These lists are aggregated into a National program. In determining priorities within the National program, the following types of information are considered:

- o Availability of the property from a willing seller (public support for the purchase).
- o Costs.
- o Organizational capability to acquire in the particular area.
- o Location within a Congressionally designated area, such as a Wild and Scenic River corridor.
- o Would area furnish habitat to protect rare and endangered species.
- o Whether or not property could be acquired by land exchange.
- o Proximity to high density population centers.
- o Need to meet currently planned management needs.
- o Consequences of postponing the acquisition in terms of increased management costs or possible adverse development.

NET VERSUS GROSS RECEIPTS

Just like clockwork the Administration has once again proposed to deduct the Federal costs from receipts prior to distribution to States.

One of the reasons Congress rejects this proposal every year is because we simply don't trust the Federal government to keep costs constant every year. We have a sneaking suspicion that costs would increase until there would be no receipts to distribute to States.

I must note when this proposal was made in FY 1987, costs were 63 percent of receipts. In FY 1988, however, costs are anticipated to increase to 91 percent of receipts.

295. Question: Is there a reason these costs have increased so much?

	GROSS RECEIPTS TO STATES	NET RECEIPTS TO STATES
FY 1987	$ 212,241,000	$ 78,574,000
FY 1988	$ 263,807,000	$ 21,575,000

Answer: The 1987 estimate was based on Forest level cash receipts. FY 1988, however, was based on a National estimate.

A forest level study is currently underway. In late April to early May, we will have a better estimate of the effects of net receipts sharing.

296. Question: What is the effect this proposed change would have in terms of revenues to the Counties?

Answer: Data bases are being developed for costs and receipts that will enable us to estimate what receipts counties would have received in FY 1986 had "Net Receipts" been used. These estimates should be available in July, 1987.

297. Question: Please provide for the record a listing by State, the counties affected and the comparison of what they received or expect to receive in FY 1985, FY 1986, and FY 1987, compared to the FY 1988 proposal.

Answer: We will forward the actual payment to States by counties for 1985-1987 (based on prior fiscal year receipts) in may when we submit the estimates of the "Net Receipts" legislation. The estimates that will be submitted in July, will utilize FY 1986 cost and receipt data and will compare actual FY 1986 receipts to net receipts paid had the net receipts proposal been utilized.

298. Question: How are those funds used by the counties that receive them?

Answer: Funds can only be used for county road and school systems.

299. Question: So, in effect, the Administration's proposal would result in a significant decrease in funds available for education and road maintenance. Is that correct?

Answer: There would be a significant decrease in Federal funds shared with the counties.

300. Question: If we, at the same time, lower the harvest of timber from national forest lands, won't there be a cumulative effect on the quality of education in my State and others?

Answer: We can not evaluate the effect on the quality of education; however, a lower timber harvest would further reduce payments to States and counties for county road and school systems.

301. Question: In effect, proponents of reduced sale programs in public land States are advocating a reduction in education funding. By doing so, they are effectively reducing the quality of the education that Idaho children receive. Would you agree with that statement?

Answer: Since the funds can be used for roads and/or schools, the impact on the schools would vary by county depending upon what portion of the funds were utilized to support the school system. In some counties, there may be a reduction in funds available for education.

I have one county in Idaho that has suffered tremendous economic hardship over the past few years. Shoshone country has lost hundreds of jobs due to both temporary and permanent closure of some of the areas silver mines. The mines have been the main buttresses of the county's economy over a hundred years.

Shoshone County contains over 2 million acres of National Forest lands within its boundaries. Out of a total road commission budget of about $1.8 million this year, 82 percent of that comes from shared receipts from National Forest timber sales. The remaining 18 percent is derived from gasoline taxes.

Shoshone County citizens and thousands of others just like them scattered throughout the nation have no place else to turn. Those are the very real people, both children and adults, that are going to suffer if opponents of National Forest timber sale programs get their way.

PROPOSED BILL LANGUAGE CHANGES

302. Question: In the National Forest System, you are proposing a change in the bill language that would allow the Forest Service to cover obligations from prior years that supplementals have not covered. These obligations would include such items as accident claims, late billings from operators and States and actual costs exceeding estimated obligations. Could you provide for the record a list of these requirements?

Answer: Although the Forest Service is currently working with States and cooperators to resolve this issue, the proposed language change is to allow the Forest Service to pay late bills received from States and cooperators for fighting forest fires. Historically, some bills received from the States are related to fire seasons from as many as 2 prior fiscal years.

303. Question: For a variety of reasons you have requested no year language for the National Forest System account. One of the stated reasons, is that contractors are willing to bid lower prices on multi-year contracts than they are on an annual basis. How much would the costs savings be on multi-year contracts?

Answer: The Forest Service has not done an empirical study to determine cost savings generated by multi-year contracting. However, almost everyone familiar with procurement practices believes that the price of procurements can be reduced through the increased use of multi-year contracting practices. The theory behind this belief is simple and persuasive: the agency makes a commitment to purchase certain goods and services for several years from the same supplier; consequently, the supplier is encouraged to buy larger lots of raw materials, schedule production more efficiently, and amortize equipment over longer periods. The supplier passes these savings on to the Government.

The main difference between an annual and a multi-year contract is that a multi-year contract reduces the risks of making plans for a single years requirements.

Multi-year contracting will reduce the administrative costs associated with awarding annual federal contracts. On annual contracts, the Government follows prescribed procurement procedures in preparing and issuing solicitations and evaluating bids and offers for each procurement action preparatory to awarding a contract. Under multi-year contracting, the number of times that these procedures are used will be reduced resulting in administrative savings in resources and materials. Similarly, multi-year contracting would also reduce prospective contractors' administrative costs associated with the bid/proposal preparation in response to Government solicitations that culminate in annual contracts.

Multi-year contracts will result in lower acquisition prices. Often annual contracts are not the most economical method for obtaining property or services. For example, in high technology, it is the general trade practice for firms to sell high technology systems on a systems life basis. Because executive agencies are prohibited from using multi-year contracts, the Government must use annual contracts with the consequence that it frequently cannot obtain the most advantageous acquisition prices. In contracts which are labor intensive, annual contracts may not be the most advantageous to the Government particularly where the contractor needs to recruit a labor force and establish an effective organization to manage contract performance. A multi-year contract would enable the contractor to intensify the training in specialized fields, and to amortize training costs, the costs of equipment and supplies and other costs associated with the new start of operations over a longer period. In addition, the continuity of production or performance for more than one year, the resultant stabilizing of work forces and the amortization of contact costs for more than one year, should enhance the competition among firms for multi-year contracts.

In summary, significant savings are expected to accrue to the Government if multi-year funding is granted. We have seen the potential for these savings with the increased use of options in contracts, however, the full savings are not realized because the contractor must still address the risk that the Government will not exercise the option due to lack of appropriations. Savings from multi-year funding would be reflected in lower acquisition prices and reduced administrative costs incurred when contracting for supplies and services in this manner.

REGION 1

304. Question: My figures indicate that 1.024 BBF of Forest Service timber was harvested in Region 1 during FY 1986. During the same year the Forest Service had an appropriation for 1.033 BBF of new sales, and sold 915 MMBF. Are these figures correct?

Answer: Yes, the 915 MMBF includes 56.6 MMBF of reoffered sales from previous years. In addition there was 138.7 MMBF offered but not sold.

305. Question: My figures also indicated that, of the 1.024 BBF of Forest Service timber harvested in FY 1986, 888 MMBF was commercial sawtimber and 136 MMBF was in the form of non-sawtimber products such as fuel wood. Additionally, my figures indicate that of the 915 MMBF of Forest Service timber sold in FY 1986, 814 MMBF was sawtimber and 101 MMBF was in the form of non-sawtimber products. Are these figures correct?

Answer: Yes, the figures are correct.

306. Question: So, in sum, sawtimber harvest in FY 1986 exceeded sawtimber sales by 74 MMBF. Is that correct?

Answer: Yes.

307. Question: According to the Explanatory Notes, accompanying the FY 1988 budget request, the Forest Service projected FY 1987 timber harvest levels to fall below FY 1986 levels. Do you expect Region 1 timber harvest levels in FY 1987 to be consistent with this national projection, or higher, or lower? Why?

Answer: We expect a slight increase in Region 1 from FY 1986 to FY 1987 due to the local housing market, reductions in Canadian lumber imports, and the desirability of lodgepole pine in the markets.

308. Question: Also in FY 1987, the Region 1 timber program appropriation is 1.014 BBF. You assume the sawtimber component will be approximately 799 MMBF. Given your harvest projections for FY 1987, this means harvest will exceed sales by 89 MMBF for the year. Is that correct?

Answer: Yes, we expect the timber harvest level will exceed the sales level by approximately 89 MMBF.

309. Question: In sum, FY 1986 timber harvest in your Region exceeded sales by 74 MMBF, and FY 1987 sawtimber harvest is projected to exceed FY 1987 sales by 89 MMBF. Do you project FY 1988 harvest levels to exceed FY 1987 harvest levels?

Answer: Yes, we expect the harvest level in FY 1988 to exceed FY 1987 by about 2-3 percent. This means that harvest may exceed sales levels by an additional 30 to 50 million board feet.

310. Question: In light of the fact that harvests have exceeded, or will exceed, sales in 1986 and 1987 by a combined total of 163 MMBF, can you explain the impact of this budget on the industry's that will purchase this timber and on the communities which are dependent on those industries?

Answer: At the end of FY 1986, about 3.35 billion board feet, or over 3 years worth of volume was under contract. The impact will not be felt unless the volume under contract is less than 2.0 to 2.5 years worth. The impact will be felt on the Forests in eastern Montana first since they are getting close to the minimum volume under contract. Therefore, the proposed budget level shouldn't create an immediate adverse effect on industry or their dependent communities.

311. Question: Now, let me turn my attention to some of the specifics of the FY 1988 budget request for your region. The Region 1 budget requests financing for a 1.05 BBF timber sale program. Can you tell me, does this target include all timber products, or is it for commercial sawtimber only? Then, can you tell me how much of the total target would be met by the sale of sawtimber and how much by the sale of non-sawtimber products?

Answer: The 1.05 BBF includes all convertible products of which 935 MMBF is sawtimber and 115 MMBF is other convertible products.

312. Question: It is my understanding that, once Congress passes an appropriation for the Forest Service, it is the discretion of the Regional

Forester to allocate the assigned timber target for each Region to sawtimber and other timber products. Is that correct? Could you explain the procedures you use in Region 1 to determine how much of your total target will be met by the sale of sawtimber and how much of the total target will be met by the sale of other products?

Answer: No. The Region assigns total timber sell volumes to individual Forests based upon the National target and the amount that each Forest indicated it could provide to meet that level when the budget was initially developed. The proportion of sawtimber and other convertible products is set at the national forest and district level. The proportion is based upon the demands of the local industry and the physical characteristics of the timber stands that are being managed.

The new forest plans for your region will set the level of timber which can be sold during the ten to fifteen year planning period. This level is referred to as the allowable sale quantity (ASQ). In the interim period, between now and the time the new forest plans are completed, the forests are managed and budget requests developed in accordance with the existing timber and land management plans. These plans provide sale levels in terms of "program harvest" and "potential yield".

313. Question: It is my understanding that the new plan allowable sale quantities, consistent with the former plan's program harvest levels are reported in terms of sawtimber only, and do not include non-sawtimber products. Is this correct?

Answer: No, the Allowable Sales Quantity (ASQ) is the quantity of timber that may be sold from the area of suitable land covered by the Forest Plan. The ASQ is based on the yields of the management prescriptions and the utilization standards spelled out in the Regional Guides. The ASQ in Region 1 is generally confined to sawtimber but will include all or portions of all other convertible products other than personal use firewood that meet utilization standards.

It is clearly the intent of Congress that the agency develop budget requests which would allow the Forest Service to implement the plans which are currently in effect. I am puzzled then, why the Forest Service budget requests are focused on gross timber targets while their plans are stated in terms of sawtimber only.

314. Question: Could you explain how the Forest Service planning process relates to your process for developing budget requests, particularly with regards to plan net sawtimber sale levels and gross timber budget targets?

Answer: The Forest Plans (Draft & Final) sets the maximum ASQ for sawtimber and other merchantable products on a 10 year basis. Because of historic sell levels based on the volume industry actually purchased and the volumes under contract, the ASQ was never approached on any of the Forests. It must be understood that harvest levels exceeded 1.0 BBF in FY 1986 for the first time since FY 1977. Therefore, the program that is budgeted is based on industry's purchasing, harvesting, and volume under contract patterns. The cap is the ASQ set by the plans.

315. Question: Would it not be more appropriate for Forest Service budgets and Congressional appropriations to be separated for net sawtimber and other timber programs.

Answer: No, this would mean another subdivision of volumes and costs with detailed explanation as to further variations that have little or no significance. The Forest Plans state the total volumes in the allowable sale quantities and since there are yearly variations in types of sales and in the market, there would be no useful purpose in further subdividing the timber sales program.

316. Question: I have also been told that the ASQ in the new forest plans is intended to be an average program level for the planning period, and that the Forest Service has the flexibility to exceed, or fall short of, the planned ASQ levels in any single year. Is that correct?

Answer: Yes, however, the ASQ for the decade should not be exceeded.

317. Question: You have finalized some forest plans in Region 1. Is that correct? If so, which ones?

Answer: The forest plans for the Beaverhead, Flathead, Lewis & Clark, Lolo, and Helena National Forests have been completed.

318. Question: From your earlier comments, it appears clear that timber demand in FY 1988 is projected to be quite strong. Does the FY 1988 budget proposal include financing and timber target requests for these forests that will exceed the planned ASQ?

Answer: No, the timber targets for these forests will not exceed the planned ASQ.

319. Question: Did the Forest Service examine budget requests for these forests which would exceed the ASQ for FY 1988, while markets are very strong? If not, why not? If so, why were they rejected?

Answer: Budget requests were examined but none exceeded the ASQ for FY 1988. As stated earlier, because of historic sales levels based on the volume industry actually purchased and the volume under contract, the ASQ was never approached on any of these forests.

320. Question: If you did not elect to support a budget for these forests which would exceed the published ASQ for FY 1988, what conditions would be necessary for you to do so in the future?

Answer: If the volume under contract fell below 2.5 years of the normal sales levels on a given Forest and the resolution of appeals that hinder offering sometimes a very significant portion of a Forest's sale program occur, then we would support a budget that exceeded the ASQ.

321. Question: Some of the preservation organizations have stated that the Forest Service could sell currently planned timber program levels without constructing any new roads. Do you agree with this statement? Could you explain your answer?

Answer: No, we do not agree with this statement. The timber sales volume in Region 1 is made up of a combination of volumes from both currently accessed areas and unroaded areas. On a long-term basis over the first three decades of implementing forest plans, approximately 20 percent of the sales volume must come from unroaded lands. Because of continuing delays in accessing unroaded lands, such as appeals, lawsuits, and delayed Forest Plans, this percentage is rapidly increasing. It is estimated over the next 5 to 10 years, 60 percent of the sales volume needs to come from presently accessed lands and 40 percent from unroaded lands. If access to currently unroaded areas is not obtained in the immediate future, then the total volume must be drastically reduced from areas currently roaded or the current environmental limitation must be exceeded. We cannot continue to harvest timber at the present rate in only the roaded areas.

Region 1 can sell approximately 650 million board feet of timber without using Forest Road Program (FRP) funds to construct new roads. It does require, however, approximately $20 million in FRP funds to:

1. Provide FRP to support past, present, and future year timber sale roads which will be constructed with Purchaser Credit (PC) and Purchaser Election (PE) funds.

2. Fund change orders, claims, design changes, and construction control for FRP projects awarded in past years.

3. Fund augmentation of current year PC road projects.

4. Fund road planning, location, surveys, and design for future year roads necessary to support the out year timber sale program.

Every additional 1 million board feet of timber to be sold above 650 million board feet requires an additional $36,000 of FRP funds. It is necessary to maintain this timber volume/FRP funds relationship for timber sell levels in Region 1 above 650 million board feet. Any reduction in the FRP funding levels will automatically equate to a drop in Region 1's timber sell program.

Forest Road Program funds are used to construct new roads and reconstruct existing roads which are not suitable for log haul traffic. Without the Forest Road Program funds to construct new roads, the timber sell volume in Region 1 would be reduced by approximately 40 percent.

If the Service-wide road budget were cut $100 million in FY 1988, Region 1's share of that reduction would be about $18 to $20 million. This would eliminate our entire FRP road and bridge capital investment program plus our ability to support road contracts awarded in prior years (change orders, claims, construction control, inspection, etc.). It would eliminate all road support to other resources (recreation, range, wildlife, etc.) as well as timber. The effect of this would be a 20% per year reduction in our timber sell program beginning in FY 1989. This would accumulate till our timber sell program was reduced to 650 mmbf and would then stabilize at this level. This flat spot in the timber sell program would occur, even if the program were to be reinstated at some point in the future. The Region's recreation program would also be significantly effected with the elimination of all road support. It is important to note that a reduction of this size would eliminate ALL of Region 1's new road construction AND road reconstruction. There would be NO option to shift funds from reconstruction to new construction. Our program averages about 60% of the funds available to new construction and 40% to reconstruction. A reduction of this magnitude would eliminate both, plus some support of carryover activities. The impact on the carryover activities would begin in FY 1988.

322. Question: For several years now this Committee has been urging the Forest Service to reexamine their road program with an eye toward reducing construction costs and reducing road standards. Could you briefly tell us what progress has been made in this regard?

Answer: The following actions have been taken by the Forest Service to reduce the unit costs of the road program:

Fiscal Year	Action
1981	Chief's letter to Regional Foresters directing cost reductions of 10 percent.
1982	Rewrite of road design policy.
1982	Instituted value analysis.
1982	Through agreement with FHWA, excluded 70 percent of Forest roads from provision of Highway Safety Act.
1983	Initiated a long-term and comprehensive assessment of roads planning and design processes (currently assessing effectiveness of this initiative).
1983	Initiated new reporting requirements for roads to identify cost centers
1983	Instituted six Regional Functional Performance Standards for roads.
1983	Brought on-line four new road design systems for greater engineering and road cost efficiencies.
1984	Initiated the Road Technology Improvement Program (RTIP) to insure all available technological advances were being used.

1984	Developed the Integrated Resource Planning Model (IRPM) to permit comprehensive analysis of entire road networks to minimize total cost.
1985	Issued new road construction specifications to eliminate unnecessary items and take advantage of new road standards and technology.
1985	Conducted a comprehensive review of engineering computer support needs to take advantage of latest computer technologies for road engineering activity.
1986	Roads Productivity Improvement Team (PIT) performed wide-ranging review of road activities and developed action plan for additional actions to improve productivity.
1986	A team of top-line officers (Roads Work Group) performed an in depth analysis of information tracking requirements for roads. This effort is to insure we have adequate information to evaluate effectiveness of each Region, make Regional comparisons, and track trends in road program costs.

Through the combined effects of the above cost-control actions, we have been able to continue strong resource programs in all areas, while still absorbing a significant reduction in road construction funds.

FISCAL YEAR	ROAD FUNDS* (Dollars in Millions)
1981	488
1982	441
1983	381
1984	343
1985	340
1986 (Final)	277
1987 (Estimated)	348**
1988 (Proposed)	328

*Includes Forest Road Program, Purchaser Credit Program, and Purchaser Election Program.

**Includes:	$ 8,473,000	for Mt. St. Helens Roads
	$ 5,114,000	for Clear Creek Road
	$15,000,000	for Preconstruction Initiative

The gross unit costs were reduced from $47,210 in FY 1983 to $43,200 in FY 1986. This is a reduction of 8 percent plus the cost of inflation for this period.

REGION 4

My figures show that FY 1986 timber harvest in Region 4 was 460 MMBF. The Forest Service projects substantial harvest increases during FY 1987 and FY 1988 in Region 4. Yet, the proposed budget for FY 1988 seeks funding for only 365 MMBF, nearly 100 MMBF below FY 1986 harvest levels. This proposal also comes at a time immediately following publication of a Forest Service timber supply study which identifies serious, and immediate, timber shortages in central and southern Idaho.

323. Question: Would you explain the rationale for the Region 4 FY 1988 timber program budget requests in light of this information?

Answer: To avoid confusion we should first clarify the figures on which you have premised your questions. The 460 MMBF timber harvest level for FY 1986 includes 104 MMBF of fuelwood. The 365 MMBF figure for FY 1988 does not include an additional 110 MMBF of fuelwood which will also be made available for public consumption under the proposed FY 1988 budget. Therefore, our total offering in FY 1988 would be 475 MMBF which is 15 MMBF above the FY 1986 harvest level. We feel that the FY 1988 President's Budget best expresses the ability of the Intermountain Region to meet the demands of our local publics and still remain responsive to the National emphasis to reduce spending.

324. Question: Also would you tell me what impact financing of this program, with no increases, will have on the dependent communities and industries in Region 4?

Answer: On December 31, 1986, Region 4 had 774 MMBF of sawtimber and 38 MMBF of fuelwood volume remaining under contract. This is just over a 2 year supply of sawtimber volume under contract if harvest levels remain as they were in 1986. We also have 40 MMBF of volume which was offered but did not sell in FY 1986 and which is still available.

We recognize that the distribution of volume under contract among purchasers may in a few cases cause stability problems with those industries and their associated communities. We also recognize that NEPA compliance, where polarized positions exist, will continue to limit our ability to successfully place timber on the market in a timely manner. We do not believe that additional program increases in these few locations will solve the current shortages.

For the past two years, the Forest Service budgets have proposed dis-proportionate decreases in Region 4 timber sale programs. In the FY 1987 budget request, the proposed Forest Service timber sale program nationally was 10% below finance levels for FY 1985. Yet, the Region 4 timber program was reduced nearly 25% under this budget. In the FY 1988 budget, the proposed national program is essentially equal to FY 1985 finance levels. Yet the Region 4 program is slated for a 10% reduction.

325. Question: Can you explain the reasons for this obviously unequitable treatment of the Region 4 timber sale programs in these budget requests?

Answer: We do not view our recommended program budgets for FY 1987 or FY 1988 as being an unequitable treatment of the Region 4 timber sales program, but rather an effort to bring more equitable balance Region-wide to all resource concerns for which we are equally responsible. We recognize that additional timber harvest levels may be possible within the Region but believe that credibility with our local public demands should be reflected by a balanced program.

326. Question: It is also my understanding that the FY 1988 budget for Region 4 is consistent with your Regions "current program" budget, as submitted by you to the Washington Office. Can you tell me why you define Region 4's "current program" as including such significant reductions in timber programs?

Answer: The "current program" budget you refer to is the budget level which approximates what Region 4 has been receiving and could reasonably anticipate receiving in a climate of reduced budgets.

The recommended shift in program mix reflected in our preferred "current program" is our attempt to reflect a balanced program, which is responsive to the expressed local needs and public demand within the Intermountain Region and still remain within the anticipated budget constraint which is supportive of our National need to reduce Government spending.

327. Question: Some new forest plans have been finalized in the Idaho area of Region 4. Is that correct? If so, which ones and how long have they been in effect?

Answer: Two Forest plans have been finalized in the Idaho area of Region 4. Three additional Forest plans are anticipating completion by the end of FY 1987. The Targhee and the Caribou plans were finalized in October 1985.

328. Question: Has the Targhee Forest timber program been financed at ASQ levels for the 3 years it has been in place?

Answer: No. In our efforts to be responsive to both the National emphasis to reduce spending and our local publics recommendations for a balanced program Region-wide, we have chosen not to fund the Targhee at their full plan implementation level.

329. Question: Does the FY 1988 budget provide sufficient funding for the Targhee Forest to make up the unfinanced portions of the ASQ from previous years, as well as fully fund the ASQ for FY 1988? If not, did the Forest Service examine budget alternatives which would finance the ASQ shortfalls from previous years in addition to the normal program? Why were these alternatives, if examined, rejected?

Answer: We will be able to fully fund the Targhee timber sale program quantity for FY 1988 and possibly make up a portion of the previous 2-year shortfall. The Forest does not have an adequate workforce to makeup a full 2-year shortfall in a single year in addition to completing a regular program.

We did not examine budget alternatives that would finance the ASQ shortfall for the Targhee or any other Forest in the Region. Historical funding levels for Region 4 have not permitted fully funding the upper limits of the timber sale potential.

330. Question: Region 4 has also been financed historically based on gross timber targets, rather than separate targets and financing for net sawtimber and other products. When you report the costs and cash returns from Region 4 timber programs, do you differentiate between the costs incurred to sell sawtimber from the costs incurred to administer non-sawtimber timber programs? Doesn't this procedure tend to overstate the apparent costs associated with the sale of sawtimber?

Answer: We do not believe so, the Washington Office review which was conducted to determine the extent of the "Below Cost" sales issue in 1984 made a very honest attempt at differentiating costs relating to sawtimber from costs associated with other products. We doubt that adding further costs to expand our reporting system will successfully overcome the misunderstandings or misrepresentation of accomplishments and expenditures.

The timber program budget request from any organizational component within the Forest Service will undoubtedly include a timber sale program quantity which may only in part be creditable toward a given allowable sale quantity. This is in agreement with our Land Management Planning Process but presently not well understood. The timber sale program quantity can include the allowable sale quantity (chargeable volume) and any additional material (nonchargeable volume) which is planned for sale. This will permit us to be responsive to conditions which may deem it necessary to meet some special public demand or remove material from lands classified as unsuitable for full scale timber management.

REGION 5

331. Question: The record seems to show that during the early 1980's, national forest timber sale levels, or volumes, dropped significantly. In spite of that, we hear that increased volumes of timber will be needed from the national forests. Do you agree that there is a need to develop and maintain a stronger timber sale program and, if so, will you explain why?

Answer: In the early 80's, high interest rates slowed housing sales and construction which led to a dramatic drop in the demand for lumber and plywood. In FY 1981, the National Forest timber harvest in Region 5 declined to 1.3 billion board feet and the total state-wide (California) harvest to about three billion board feet. The situation has reversed itself as interest rates declined. We experienced a harvest of 1.85 billion board feet in 1986. Currently we have approximately 4.5 billion board feet of uncut timber under contract. This has declined from about 7.3 billion in F.Y. 1984. The reduction has been due to federal "buyout" legislation and high harvest levels in the past two years. Our sale programs in FY 1985 and FY 1986 were approximately 1.65 and 1.5 billion board feet respectively, well below historic levels.

Despite the severe adverse conditions for the timber industry, earlier in the decade projections to the end of the century indicate there will be moderately strong demand for timber and housing, although there will undoubtedly continue to be cyclical changes.

In anticipation of a more complete market recovery we are striving to maintain a relatively high sale program. It is important to have a supply of timber already available for harvest to avoid the lag time inherent in planning new sales. From the initial action to the advertising of bids often takes approximately five years because of the various steps necessary to prepare a timber sale.

332. Question: What is the maximum timber production capability of the national forest lands without unacceptable environmental consequences?

Answer: We have been addressing this question thru detailed land management planning in all National Forest in the Region. These plans are meant to guide management for the next 10 to 15 years on each of our National Forests. A number of these plans have been out for public comment, and the remainder should be out by the end of this year or early in 1988. This public comment will be fully considered in developing final plans.

Preliminary indications are that annual sustainable timber sale program levels will be around 1.85 billion board feet per year.

333. Question: Can timber production from National Forests be continued at present levels for several years, while a timber sale program gradually "ramps up" to the demand level?

Answer: We do not believe the current level of sale offerings, approximately 1.5 billion board feet, will satisfy the needs of the timber industry. We anticipate continuing high harvest levels of 1.8 to 1.9 billion board feet will further reduce uncut volume under contract. This will increase pressure to sell more National Forest timber in the next 1-4 years. We do envision the need for an incremental increase in the sales program because of the time needed to prepare the sale packages.

334. Question: In the draft land management plans, it generally appears that timber and range outputs vary more than do other outputs from alternative to alternative. Is this phenomenon related to the existence of a lower threshold, or minimal custodial, level of management? If so, then it appears that further budget cuts would have to affect timber and range management proportionately more than other resource programs. Would you comment on that, please?

Answer: We believe there are certain threshold levels of resource protection and public safety below which we should not drop. This factor along with different resource and market emphasis in different draft land management plan alternatives largely explains different output levels. We agree that unless management requirements (standards and guidelines) are modified, the timber management and range management programs could possibly have to be reduced proportionately more than other resource programs. This already appears to be happening in low level budget alternatives where there is not enough funding to maintain a base level program for all resource areas.

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

WHITEWATER RAFTING TRIPS ON CHATTOOGA RIVER

Mr Robertson, since 1985 I have been trying to help my constituent, Bruce A. Hare, of Long Creek, South Carolina, obtain a permit to conduct whitewater rafting trips on the Chattooga River. The Chattooga River was designated as a National Wild and Scenic River in 1974. The Forest Service began to intensively manage the river in 1985 and determined that only three outfitters would be permitted to run regularly scheduled raft trips. Permits were given to 3 companies in 1975 for a three year period. Bids were again solicited in 1977 and permits were awarded to the same 3 companies for a 5 year period. Permits to these same companies were again issued in 1983.

In 1984, the Forest Service national policy on outfitter guides was substantially revised to give priority consideration to existing holders of permits. For a river like the Chattooga, which has tight controls, that means that a current holder of a permit must abandon or sell his business, or have his permit revoked for cause, before a new outfitter can get a permit, unless additional public needs are identified through the forest planning process. I understand that the Land and Resources Management Plan for the Sumter National Forest was approved in August 1985 and provides for no more than three commercially approved guided raft trip operators.

335. Question: Mr. Hare's application was brought to my attention by the Chief of the South Carolina Law Enforcement Division, J. P. Strom. In his letter to me, Chief Strom said, "I don't know of any family in South Carolina who is more interested in a good, clean outdoor environment." Others have similarly attested to his qualifications to operate whitewater rafting trips. In turning down his appeal last May, Mr. Peterson himself wrote, "you have been a valued cooperator in the past...we are sure that your experience will make you highly competitive in competing for a permit" whenever permits are available.

Mr. Robertson, do you have any reason to believe that Mr. Hare is not qualified to operate whitewater rafting trips?

Answer: Mr. Hare's company, Chattooga Whitewater Ship, operates very successfully in providing supplies and shuttle services to the recreation public using the Chattooga River.

Mr Hare has been a "valued cooperator" and his qualifications to operate whitewater rafting trips have never been an issue. His application for a permit was denied because the commercial use of the Chattooga River was at capacity. This capacity was established through the River Management Plan nd Sumter National Forest Plan with the intent of protecting the recreation experience on the Chattooga Wild and Scenic River.

336. Question: Mr. Robertson, as was indicated, the land and resource management plan for the Sumter National Forest provides for only 3 commercial operators. When Mr. Peterson denied Mr. Hare's appeal he said that the plan was approved "following extensive public involvement." Can you tell us just how extensive that public involvement was, as I have heard that it may have amounted to just six letters from the public.

Answer: Public involvement during preparation of the Sumter National Forest Plan involved extensive public contacts. Public notices and advertisements were placed in 3 major newspapers and 10 local papers. Six radio stations also carried public announcements. Public meetings were held in 9 cities and presentations were made to 11 other civic groups located throughout the State.

During the course of this public involvement over 1,100 individuals, organizations, and other government agencies were contacted.

Once the Draft Environmental Impact Statement - Land and Resource Management Plan for the Sumter National Forest was prepared, over 200 copies were sent to key organizations and individuals. Copies were also made available in all district ranger offices for review. Three public hearings were held to gain public input. Press releases and public announcements advised the public that comments were being sought on the plan.

Over 250 responses were received regarding the Draft EIS and plan for the Sumter National Forest. These comments were reviewed in preparing the final EIS and plan.

337. Question: In his appeal to the Regional Forester, Mr. Hare said that "the District Ranger, Mr. Joe Wallace, has indicated that some additional commercial use could be allowed on the Chattooga." Do you know if that is a possibility? Wouldn't that solve the problem?

Answer: The capacity of the Chattooga Wild and Scenic River was thoroughly analyzed during the forest planning process. The end result is that the three existing permittees operate regularly scheduled rafting trips which utilizes the maximum capacity that the management plan allows. Consequently, we have that would allow us to increase commercial use on the Chattooga River.

338. Question: Can you tell me where the 3 current operators are based? For instance, I have a letter from Nantahala Outdoor Center which is based in Bryson City, North Carolina. Are the other 2 operators also based outside of South Carolina? If so, can you wonder why I question why they have been issued almost permanent permits to operate on a river in South Carolina while a local firm is denied a permit?

Answer: The three existing outfitter/guide operators are:

1. Wildwater Limited, Long Creek South Carolina
2. Nantahala Outdoor Center, Bryson City and Long Creek South Carolina
3. Southeastern Expedition, Inc., Atlanta, Georgia and outpost on Chattooga River.

All three operators have significant outposts near the River to serve their customers.

339. Question: In South Carolina, there has been a controversy regarding timber harvesting along US 76 in the Sumter National Forest. What are your current plans with regard to timber sales along this highway and are they reflected in the land and resources management plan for the forest?

Answer: The controversy about timber harvesting along U.S. Highway 76 in the Sumter National Forest occurred on a sale where cutting began in January 1986.

The clearcut is about 3/4 of a mile long and includes two areas. One area is about 200 feet in width and is ten acres in size. The second area is about 130 feet in width and contains seven acres. Both are located beside Highway 76. These strips were left along the highway when the timber behind them was harvested about 15 years ago. The plan was to return and cut the strips after the new stands behind them were established.

In late March we became aware of local concern about the sales visual impacts when we received a letter of complaint from a local resident and a copy of a petition sent to political leaders.

The only other area in the timber sale that lies along Highway 76 is Unit 3. Cutting in this unit was recently initiated. Because of public concern, the Sumter National Forest and the purchaser agreed to modify the sale contract to improve the aesthetics of the harvest. This modification changed the planned clearcut to an intermediate cut to remove the pine and leave a stand of hardwood.

We are aware of the public concerns about visual quality along this highway. We plan to amend the Sumter National Forest Land and Resource Management Plan to raise the visual quality management objective along Highway 76.

Question Submitted by Senator Jim Sasser

LAND ACQUISITION

Mr. Chairman, as you know, in the mountainous regions of east Tennessee, we have some of the most scenic natural areas in the eastern United States. I remain very concerned that the Department of Agriculture is not doing all that it could to help preserve these natural areas. Instead, we see Department officials attempt to thwart clear Congressional intent by advocating modifications to specific Congressional directions on certain sites.

A prime example of this disregard can be seen with the Peake property. This is a 200 acre parcel of land which borders the Appalachian Trail. It is one of a handful of properties on the Appalachian Trail not yet owned by the Federal Government. Efforts to purchase a portion of this land have been tied up in negotiations and law suits for several years.

As a result we've seen some troubling developments. First, the owners of the Peake property brought in bulldozers and cleared out a portion of this property. Second, we've seen the owners of this property actually accost trail users with shotguns in hand. Now, this is a very serious situation. And it is my fear that left unaddressed, this dangerous situation will continue to fester.

To head off just this type of problem, I worked with the members of the Subcommittee last year and inserted specific language in the 1987 Interior Appropriations Bill on the Peake property. That language stated very clearly: "Federal ownership of the 200-acre Peake tract is imperative to protect the recreational and scenic integrity of the Appalachian Trail." We went on to instruct the Forest Service to "take whatever option necessary to protect this property."

Well, Mr Chairman, we are now well into a new calendar year and precious little has been done to carry out this Congressional mandate. Mr. Dunlop and his staff continue to insist that they are "discussing" options on this property. The time for drawn out discussions is past. The time for action is now.

340. Question: I am very interested in hearing why the Department has refused to carry out very clear congressional language regarding the Peake property. I want to know when this obstructionist attitude will end. When will the Department remove a very real threat to those who hike these scenic mountains and to the natural beauty of the area itself? In short, what will it take to get you to enforce the law and acquire the 200 acre Peake property tract. Please provide me with a specific time table for acquiring this tract.

Answer: In using condemnation, we believe only the minimum area necessary for trail corridor protection should be acquired, in this case 54 acres. A request for condemnation, without a Declaration of Taking, was sent to the Attorney General on June 20, 1985. Since that time, resolution of this case rests with the Justice Department. The complaint was filed April 7, 1986. The judge has twice granted the Peake's a delay in trial. The Peake's recently questioned the accuracy of the survey along the State line. The latest delay was granted to allow them to obtain their own survey. It is not known exactly how long this will take. In the meantime, in efforts to negotiate a settlement of this case, the U.S. Attorney has on more than one occasion offered to purchase the entire 200-acre tract.

At this time, we expect that the earliest this case will come to trial will be the June term of the District Court.

SUBCOMMITTEE RECESS

Senator McClure. The subcommittee will stand in recess until Wednesday, April 1, at which time we will review the budget proposals for the strategic petroleum reserve, naval petroleum reserve and the Office of Emergency Preparedness. Thank you.

[Whereupon, at 11:25 a.m., Friday, March 27, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, April 1.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

WEDNESDAY, APRIL 1, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:05 p.m., in room SD–116, Dirksen Senate Office Building, Hon. J. Bennett Johnston presiding.

Present: Senators Johnston, Bumpers, Reid, and McClure.

DEPARTMENT OF ENERGY

STRATEGIC PETROLEUM RESERVE

NAVAL PETROLEUM AND OIL SHALE RESERVES

STATEMENT OF J. ALLEN WAMPLER, ASSISTANT SECRETARY FOR FOSSIL ENERGY

ACCOMPANIED BY:
DONALD L. BAUER, PRINCIPAL DEPUTY ASSISTANT SECRETARY
RICHARD D. FURIGA, DEPUTY ASSISTANT SECRETARY FOR PETROLEUM RESERVES

OPENING REMARKS

Senator JOHNSTON. Good afternoon. This is the time and schedule for the Department of the Interior and related agencies before the Appropriations subcommittee to hear testimony on the strategic petroleum reserve [SPR], the naval petroleum reserves, and the emergency preparedness programs of the Department of Energy.

Testifying on behalf of the administration for the first two programs will be the Assistant Secretary for Fossil Energy, Mr. Allen Wampler. We will close with Mr. David Waller, Assistant Secretary for International Affairs, who is representing the Office of Energy Emergencies.

The administration proposes a substantially reduced level of activity for SPR. Carryover funds from prior years will permit the Department to obligate $671,857,000 in fiscal year 1987 and to achieve the mandated fill rate of 75,000 barrels per day.

Conversely, the fiscal year 1988 budget request proposes obligations next year of only $386,129,000, and a reduced fill rate of just 35,000 barrels per day.

Let me say at the outset that I, for one, am not in favor of the low fill rate proposed in this request.

PREPARED STATEMENT

With that preface, Mr. Wampler, welcome before the subcommittee this afternoon. We have your prepared statement, and it will be included in the record at this point. Would you please introduce your associates who are here with you; then, in the interest of saving time, we will proceed directly to the subcommittee's questions.

We are in the midst of the markup on the budget and if we could go right to the heart of the matter in case I get called out, I would appreciate that.

[The statement follows:]

STATEMENT OF J. ALLEN WAMPLER

It is my pleasure to appear before you today in support of the President's budget proposals for the Petroleum Reserves, which include the Strategic Petroleum Reserve and the Naval Petroleum and Oil Shale Reserves. I am accompanied by Donald L. Bauer, Principal Deputy Assistant Secretary for Fossil Energy.

OVERVIEW

Two major Administration policy proposals are included in the Department's fiscal year 1988 budget request for the Petroleum Reserves programs: (1) a proposal to fill the Strategic Petroleum Reserve at the rate of 35,000 barrels per day rather than the current rate of 75,000 barrels per day, and (2) a proposal to sell the Federal ownership interests in Naval Petroleum Reserves No. 1 and 3.

Strategic Petroleum Reserve Fill Rate

At the end of February, 1987, the Strategic Petroleum Reserve crude oil inventory had reached nearly 517 million barrels. During the current fiscal year, our fill rate will average 75,000 barrels per day.

The Administration is proposing to return the Strategic Petroleum Reserve fill rate from the current rate of 75,000 barrels per day to the previously mandated rate of 35,000 barrels per day, while permitting continued production from the Naval Petroleum Reserves. The budget includes appropriations language which would amend the Energy Policy and Conservation Act to permit this reduced fill rate in FY 1988, and we plan to submit draft legislation to remove the existing linkage between the Strategic Petroleum Reserve fill rate and authority to sell oil from Naval Petroleum Reserve No. 1. The proposed fill rate will enable the Department to continue building protection against foreign supply disruptions and is consistent with the Administration's support for a 750 million barrel Reserve.

At the end of FY 1987, the SPR will contain 534 million barrels of crude oil. That amount is equal to approximately three months of 1986 U.S. net imports of crude oil and petroleum products, and is in addition to the hundreds of millions of barrels of stocks held by other industrial nations and the private sector. While the Administration has supported an active SPR development strategy, as evidenced by the 400 million barrels added to storage in the last six years, we believe that annual fill rates must be measured against our total means and other priorities. Maintaining an SPR fill rate of 75,000 barrels per day instead of the recommended rate would only increase the SPR inventory in FY 1988 by less than 3 percent. Furthermore, in the context of current world oil market conditions and our current reserve levels, we believe that the fill rate can be more modest than in earlier years without compromising energy security.

The FY 1988 budget request provides funding to continue the operation and maintenance of the Reserve and to complete storage facilities construction at the Big Hill and Bayou Choctaw sites, using prior year funds. Additionally, the budget permits the continuation of activities which will enhance the drawdown and distribution capabilities of the Reserve. We will continue to maintain the Strategic Petroleum Reserve in a high state of operational readiness.

Naval Petroleum Reserves Divestiture

The Naval Petroleum Reserves located in California and Wyoming have been in a state of full production since 1976. The original purpose of these reserves was to provide an emergency supply of petroleum for the U.S. armed forces. However, after eleven years of production, it is apparent that the Reserves are no longer necessary emergency stockpiles and that production should continue as long as the fields are economically viable. A return to a shut-in status would not be advisable from an economic, strategic, geologic, or logistics perspective. Therefore, we expect that the Reserves will continue in full operation for the foreseeable future.

The Administration believes that the Federal Government should divest itself of business-type activities, like the Reserves, which are more appropriately managed in the private sector. While the private sector is well acquainted with the development and operation of oil fields, the Federal Government is not organized or oriented to compete with private industry. Divestiture would have the dual advantage of bringing more efficient management to the Reserves and freeing Federal Government management for tasks that are appropriately carried out in the public sector.

We expect that a market-like process for selling the Reserves will attract companies with the highest oil price expectations and those which believe the Reserves have high production potential. Therefore, we believe that potential buyers of the Reserve will offer prices at least as great as the Government's valuation of continued ownership. For purposes of the budget, we have placed that value at $3.3 billion, although we expect the price could change in response to oil market conditions and other factors. I can assure the Committee that the Department intends to maximize the financial return to the taxpayer in pursuing this divestiture policy.

The Department recently awarded a contract to the investment banking firm of Shearson Lehman Brothers to assist in divestiture activities, including planning the sale of the Government's ownership interests in both Elk Hills and Teapot Dome. Under the terms of Section 231 of Public Law No. 99-500, the Department will report to the Congress by June 30, 1987, on the analysis of sales methods which Shearson Lehman is expected to perform. It is our view that the Congress should enact legislation in 1987 authorizing the sale of the Naval Petroleum Reserves 1 and 3 so that a sale could be accomplished by the end of fiscal year 1988.

We respect the fact that these sales can go forward only under conditions approved by the Congress. We value your suggestions and recommendations on these sales and those of your staff. We believe that we can work together to show the American people that it is possible to end programs which are no longer appropriate for the Government to administer.

FISCAL YEAR 1988 BUDGET - STRATEGIC PETROLEUM RESERVE

The proposed FY 1988 budget for the Strategic Petroleum Reserve (SPR) is $270 million, almost double the FY 1987 level. This amount includes $142 million for the Strategic Petroleum Reserve Account and $128 million for the SPR Petroleum Account. The Strategic Petroleum Reserve Account funds all activities associated with the development, operation, and management of the Reserve, and the SPR Petroleum Account funds the acquisition and transportation of crude oil.

Strategic Petroleum Reserve Account

Planned obligations from the Strategic Petroleum Reserve Account in FY 1988 are $165.2 million, including $142.4 million from the FY 1988 budget request and $22.8 million from prior year balances. These carryover funds include $10.6 million of identified savings on Phase III construction; we propose that these savings be reprogrammed for other uses in FY 1988.

Storage Facilities Development and Operations
The fiscal year 1988 planned obligations for Storage Facilities Development and Operations are $150,995,000.

No obligations are planned in FY 1988 in the Phase I, Phase II, or Phase III budget categories. Phase I is complete; Phase II construction will be completed in FY 1987; and Phase III surface construction at Big Hill and Bayou Choctaw has been fully funded and will be completed in FY 1988. Savings of $10,599,000 which resulted from the award of Big Hill construction contracts at less than budget estimates are proposed for reprogramming from the Phase III budget category to the Non-Phase Specific category.

At the end of FY 1987, the total underground storage capacity of the Reserve is expected to be 581 million barrels, located at five sites as follows:

Bryan Mound	226
West Hackberry	200
Sulphur Mines	26
Bayou Choctaw	56
Weeks Island	73
Total	581

At our proposed rates of oil fill, this capacity will suffice for several more years, and we propose to defer further capacity development after FY 1987 until additional storage capacity is required. However, as noted earlier, we will have completed all of the surface construction for the 750 million-barrel system and will be in a state of readiness to resume capacity development when warranted.

Non-Phase Specific
Non-Phase Specific was established as a funding category within the Storage Facilities Development and Operations budget in FY 1981. Since FY 1986, all facilities-related activities, except site surface construction, have been directly funded within this category. Planned obligations for Non-Phase Specific activities in FY 1988 are $150,995,000.

Within the Non-Phase Specific category, there are three subcategories of funding, each of which is different from the others in terms of the activity or group of activities addressed. These subcategories are Operations and Operations Support, Capital Improvements and Distribution Enhancements.

(1) Operations includes operations and maintenance (O&M), security, utilities - primarily electric power, and ongoing environmental requirements for all sites. Operations Support includes continuing engineering, technical, analytic and logistics support, contractor activity monitoring, contract administration services, security systems planning and other types of services in support of operations activities. Estimated FY 1988 obligations in this subcategory are $116,039,000. The primary focus of FY 1988 activities will be on maintaining all sites and systems in a state of operational readiness while continuing oil fill.

(2) Capital Improvements addresses the need for modifications to existing facilities to assure that mission objectives can

continue to be met. Projects in this category usually require engineering design and analyses. Projects are identified as a result of operating experience and safety, reliability and vulnerability assessments and studies. Planned obligations for FY 1988 are $21,279,000, with major projects to include emergency shutdown valves at cavern wellheads at Bryan Mound, West Hackberry and Bayou Choctaw; a deluge fire protection system at Weeks Island; and fire protection improvements West Hackberry.

(3) Distribution Enhancements was introduced as a Non-Phase Specific funding subcategory through a reprogramming action in fiscal year 1985 to address changes in commercial distribution systems which have limited the capability to distribute oil from the Reserve during an emergency. The maximum commercial distribution capability for the 534 million barrels of oil that will be in storage by the end of fiscal year 1987 will be approximately 3.0 million barrels per day, compared to a SPR drawdown capability of over 3.5 million barrels per day. The objective of the SPR Distribution Enhancements program is to achieve a commercial distribution capability equal to the SPR drawdown capability. The program will be continued in FY 1988 with achievement of a 3.5 million barrel per day distribution capability occurring in FY 1989. Planned obligations in FY 1988 are $13,677,000. These obligations will fund the construction of a distribution pipeline from the West Hackberry site to Lake Charles, Louisiana, and the terminal modifications to increase marine distribution capabilities at Lake Charles and St. James, Louisiana.

Management

Management funding provides for all salaries and expenses necessary to plan and manage the Reserve, including personnel at headquarters in Washington, those at the Oak Ridge Operations Office (ORO) and those at the Project Management Office (PMO) in New Orleans. In addition, the administrative overhead costs for the PMO in New Orleans are funded from this category.

Management funding also provides for several kinds of information gathering, analytic work, and management and technical support used in making near-term and long-range management and policy decisions governing the accomplishments, goals, and objectives of the Strategic Petroleum Reserve program. The FY 1988 request level of obligations for Management is $14,243,000. This level provides funding for 142 full-time equivalents (FTE's).

SPR Petroleum Account

Oil Acquisition and Transportation

Funds are appropriated to the SPR Petroleum Account for the purchase of crude oil, marine and pipeline transportation, customs fees, terminalling charges, environmental taxes and other necessary oil acquisition-related expenses. Pursuant to the provisions of the Energy Policy and Conservation Act (EPCA) as amended, funds in the Account may also be used to finance costs associated with a drawdown of the Reserve. Additionally, the Federal receipts from a drawdown and sale of oil from the Reserve would be deposited in the Account and create additional budget authority for refilling the Reserve. In FY 1986, approximately $28 million of receipts from the SPR test sale were deposited in the Account.

We propose to fill the Strategic Petroleum Reserve at an average rate of 35,000 barrels per day in FY 1988 to achieve a cumulative fill of 547 million barrels. We also propose an advance order in FY 1988 of approximately three months of FY 1989 oil deliveries at 35,000 barrels per day. Planned FY 1988 obligations are $220,891,000 which include the FY 1988 budget request of $127,744,000 and prior year balances of $93,147,000.

The oil price assumptions associated with this request are $15.14 per barrel in FY 1987, $16.96 per barrel in FY 1988, and $18.53 per barrel in FY 1989.

During FY 1987, we will fill the Reserve at an average rate of 75,000 barrels per day. The two primary sources of crude oil are a new contract with Petroleos Mexicanos (PEMEX) for 65,000 barrels per day (plus or minus 10 percent) and a contract for domestic crude oil with Transworld Oil at 10,000 barrels per day. We also have received crude oil from PEMEX during October and November to complete a 1981 contract and we transferred 267,000 barrels of Naval Petroleum Reserve crude oil from Elk Hills to test our capability to make such transfers in the future, if warranted. During the first five months of FY 1987, our average cost was approximately $16.50 per barrel; our March average will be approximately $18 per barrel and we plan to monitor market developments closely.

I will now address the Naval Petroleum and Oil Shale Reserves budget.

FISCAL YEAR 1988 BUDGET - NAVAL PETROLEUM AND OIL SHALE RESERVES

As I mentioned earlier, the Administration proposes to sell the Government's ownership interests in Naval Petroleum Reserves Numbered 1 and 3 during FY 1988.

Prior to ownership transfer at the end of FY 1988, we plan to continue production of the Reserves at the maximum efficient rate (MER) and, therefore, a budget has been prepared for the full fiscal year. Should the sale of the Reserves be consummated earlier than expected, unexpended funds would be returned to the Treasury. The estimated revenues which will be generated in FY 1988 from production sold, and reimbursements of expenses by Chevron, U.S.A., our unit partner at Reserve No. 1, are $700 million. Outlays are expected to be $160 million, so revenues, net of outlays, are estimated to be approximately $540 million.

A major policy development affecting the Reserves during the past year involved changes in our procedures for selling production from both Elk Hills and Teapot Dome. The pricing method used by the Department since 1976 became inadequate to adjust contract prices during periods of very rapid price changes. On January 29, 1986, the Department opened bids for crude oil which reflected the uncertainty associated with the direction of oil prices and the price adjustment mechanism of the contracts. The difference between the highest and lowest winning bids was $6.00 per barrel of oil. The Department, believing that the number of bids established a fully competitive solicitation, awarded the contracts. Subsequent to the awards, the base price of the contracts fell to the market levels. Because all of the contracts were bid at discounts to the base price, the contract prices dropped below spot market prices for the 6-month period of the contracts.

In order to alleviate this situation, Secretary Herrington ordered a comprehensive review of the pricing methodology used by the Department for selling petroleum. After an exhaustive review, in cooperation with our customers, numerous changes were made to our bidding and sales methods. Most notably, the price adjustment clause of the crude oil contracts was modified to reflect the movement of spot market crude oil prices in the Los Angeles market. This pricing methodology has worked well since October 1986.

In a separate effort, the Congress passed Public Law No. 99-413, which requires that petroleum sold from the Reserves meet two minimum price tests. First, the sales price must be at least 90 percent of the market price of the same product in the area of the Reserve, as determined by the Secretary. Second, the price must be at least equal to the price being paid for oil being purchased for the Strategic Petroleum Reserve, adjusted for quality and the cost of transporting petroleum from the Naval Petroleum Reserve to the nearest Strategic Petroleum Reserve storage site. The legislation also allows the Secretary of Energy to reduce production from the Reserves below the maximum efficient rates of production if these minimum price tests cannot be satisfied.

While the Department of Energy was able to support this legislation as it applied to crude oil, we noted concern that the wording made the minimum price requirements also apply to natural gas and natural gas liquids (propane, butane, and natural gasoline). The Department has since experienced problems in the application of Public Law No. 99-413 to natural gas liquids. These are necessary by-products of crude oil and natural gas production and account for only a small portion of total sales revenue from the Reserves. Because of the lack of a satisfactory market index, they are sold on a fixed price basis.

Public Law No. 99-413 requires the Secretary to estimate "the current sales price ... of comparable petroleum in the same area." Our information regarding current market prices for petroleum, including natural gas liquids, comes from commercial market publications. We are unable to verify actual prices and volumes of transactions being conducted in the private sector, and we understand that some major oil companies keep their natural gas liquids within their own systems, so not all volumes produced and consumed are traded commercially. Moreover, whereas our natural gas liquids and natural gas contracts are for fixed prices in a future period, the only published market price data are for immediate (spot) delivery at delivery points outside the immediate area. Thus, in the case of natural gas liquids, it has proved especially difficult, on the basis of the limited relevant data available, to determine "the current sales price ... of comparable petroleum in the same area."

For example, because the demand for natural gas liquids is highly seasonal and is characterized by erratic price changes, an adjustment for seasonality seems warranted. While some seasonality is statistically predictable, most participants in the markets for these products are of the opinion that there are innumerable factors which influence prices and consequently make the conversion of spot market prices to term prices very difficult. Factors such as anticipated supplies from outside the local area, refinery and gas plant maintenance, abnormal weather, inventory levels, and changes in air emission regulations can all have major influences on term market prices.

A second problem with application of the law is that the Strategic Petroleum Reserve does not store natural gas or natural gas liquids, and is not designed to physically hold or distribute those commodities. As a consequence, the price comparison with Strategic Petroleum Reserve purchase prices is not feasible, and if a decision were made not to sell these products, they could not be placed in the Strategic Petroleum Reserve as an alternative.

On January 7, 1987, the Department opened bids for natural gas liquids to be produced from Naval Petroleum Reserves No. 1. When the bids were compared with the prices the Department had determined to be 90 percent of market value, some of the apparent winning bidders for propane and butane were disqualified. In the case of butane, only one bidder out of seven was qualified as having met the market test required by Public Law No. 99-413. Fortunately, that single bidder agreed to purchase all of the butane the Government was offering. This situation constituted a "near-miss". If the single acceptable bidder had refused to take all production, the Government would have been faced with several unattractive options. The extreme approach of shutting in production to prevent the sale of butane would have disrupted crude oil and natural gas contracts and resulted in millions of dollars in revenue losses. Because butane accounts for only 3 percent of revenues, the exercise of this option would not have been in the best interests of the taxpayer. Other options such as storage or reinjection have been analyzed; these alternatives would also be costly and would be difficult, if not impossible, to implement on short notice.

While the Department intends to study the market for natural gas liquids, refine its analyses, and attempt to improve its sales and pricing techniques to attract the greatest number of bidders, we believe that the application of Public Law No. 99-413 to natural gas liquids is inappropriate, and we intend to work with the Congress during the coming year on ways of modifying the current law to limit its application.

Naval Petroleum Reserve No. 1

The Reserve is operating at a maximum efficient rate of approximately 114,000 barrels of oil per day. All of the Government's share of oil, natural gas, and natural gas liquids is being sold in the open market to the highest bidders. Major operational items are the continuation of the drilling of a deep test exploratory well, which now exceeds 21,000 feet, and which is targeted for 25,000 feet. Also, plans for waterflooding and steamflooding portions of the field are proceeding. If successful, these projects will not only raise immediate production but will increase ultimate recovery from the field.

Fiscal Year 1988 Budget

The FY 1988 budget request for NPR-1 and NPR-2 is $150,255,000. Funding is requested in the following categories:

Operations and Maintenance ($111,071,000) - This funding category provides for the day-to-day field activities necessary to continue production at maximum efficient rates (MER) - Major activities funded are:

(1) Management and Administration ($16,992,000) - Provides for general management, auditing, legal, secretarial, and related support services. It also includes material control/warehousing, acquisitions (purchasing/subcontracts), and automated data processing.

(2) Production Operations and Maintenance ($38,267,000) - Provides for routine operation and maintenance of wells, tank settings, gas/oil separation stations, pipelines, the five oil cleaning LACT stations, waste water disposal facilities, waste water injection facilities, and the cathodic protection system.

(3) Gas Operations and Maintenance ($16,120,000) - Provides for operations and maintenance of the three gas plants and associated facilities, fire protection systems, and increased funding for outside gas processing charges and maintenance requirements.

(4) Remedials ($17,400,000) - Provides for the major well work required to maintain existing wells in optimum producible condition. A total of 175 remedial workovers is planned for fiscal year 1988.

(5) Technical Support ($12,105,000) - Provides for the engineering functions required to maintain reservoirs and facilities in optimum condition to comply with MER requirements. Specifically, this includes: production engineering, reservoir/geological engineering, drafting, reservoir studies, systems engineering, design engineering, cathodic protection/corrosion engineering, and electrical engineering.

(6) Technical Assurance ($5,187,000) - Provides for management, safety, security, environmental protection, and quality assurance. This includes waste management, air quality, assurance programs, industrial hygiene, fire protection, safety inspections, and physical and personnel security.

(7) Operator Fee ($5,000,000) - Provides for the base and award fee paid to the management and operating contractor.

Development Drilling ($18,704,000) - Provides for the drilling of all development wells at NPR-1. This includes water injection and enhanced oil recovery wells in addition to producing wells. Along with securing additional production, this program is designed to maintain reservoir and pool performance through pressure maintenance and to further define reservoir limits. The fiscal year 1988 request provides for the drilling of 38 wells.

Development Facilities ($20,480,000) - Provides for the construction and/or modification of facilities needed to support continued development and production of the field. Included in this request are facilities required for environmental and safety compliance, implementation of enhanced recovery methods, and facilities to accomodate changing field conditions such as declining reservoir pressures and increasing volumes of water and gas produced with crude oil.

Exploration Drilling ($0) - No exploration wells are planned for fiscal year 1988.

NPR-3

The fiscal year 1988 budget request for NPR-3 is $21,740,000 and provides funding for Operations and Maintenance ($13,166,000); Development Drilling ($4,176,000); and Development Facilities ($4,398,000). This request is a decrease of $874,000 from fiscal year 1987, due principally to cost savings resulting from more efficient operations and a reduction in enhanced recovery pilot project activity. We have implemented an aggressive cost reduction program at NPR-3 over the past year to ensure that the Treasury continues to obtain positive cash flow from this Reserve, notwithstanding the reduction in oil prices. Thus far we have been successful in this endeavor.

This request provides funding for the normal oilfield operations and maintenance activities; continues development drilling, with 29 Second Wall Creek infill wells planned for fiscal year 1988; and provides for initiating expansion enhanced recovery processes in the Shannon reservoir.

The enhanced recovery steamflood pilot project will be operated through fiscal year 1988 for the Shannon reservoir. This plan allows for verification of pilot results before the costs of expanded implementation are incurred.

Naval Oil Shale Reserves (NOSRs)
The fiscal year 1988 budget request for the NOSRs is $210,000. This request provides funds to continue land management activities at all the NOSRs, and for mitigation of adverse environmental conditions arising from the spent shale pile at Anvil Points.

Program Direction
Funding Program Direction provides for the salaries, benefits, travel, and other related costs to support 95 full-time equivalent employees plus military personnel required to plan, develop, manage and moni the execution of NPOSR program activities. The budget request for t activity is $5,495,000.

Funding from Prior Year Appropriations
Funds totaling $18.0 million for the NPOSR will be available from prior year appropriations for use in fiscal year 1988 to offset the need for new budget authority. These funds are available due to several factors.

First, $1.2 million of funds are available at NPR-1, due to a deobligation of funds from the close-out of facility construction contracts by the Naval Facilities Engineering Command.

Second, $12.0 million is available from NPR-3 funding because of its major cost reductions to ensure the profitability of the field. Specifically, major cost components such as development drilling and expanded enhanced oil recovery have been reduced and these cost reductions will continue as needed.

Third, $4.8 million has been made available from the deferral of the gas protection plan at NOSR-3, and from lower than anticipated costs associated with decommissioning of the Anvil Points Oil Shale Research Facility, located on NOSR-3. The Congress recognized the advisability of deferring NOSR-3 drilling in the FY 1987 budget, and this $4.8 million represents primarily carryover funding from FY 1986 which is also not needed at this time.

This completes my formal statement, Mr. Chairman. I will be pleased to answer any questions you may have.

BIOGRAPHY OF J. ALLEN WAMPLER

James Allen Wampler was nominated by President Reagan on August 7, confirmed by the U.S. Senate on October 3, and sworn in as Assistant Secretary for Fossil Energy, U.S. Department of Energy (DOE) on October 14, 1986. In this position, he manages the Department's coal, petroleum and natural gas research and development programs as well as oversees the Nation's Strategic Petroleum Reserve and Naval Petroleum and Oil Shale Reserves.

Prior to joining the Department, Mr. Wampler was Vice Chancellor of Administration for Illinois Eastern Community Colleges in Olney, Illinois. In this post, which he assumed in 1984, he was responsible for collective bargaining, labor relations, personnel, facilities management and business development for the four college district. He was also responsible for the colleges' interstate and international programs.

From 1982 to 1984, Mr. Wampler served as Dean of Mining for Wabash Valley College in Centralia, Illinois. During his tenure as Dean of Mining, Mr. Wampler administered a multi-campus coal mining technology program including the supervision of instructional programs at six Illinois mining technology sites. Mr. Wampler served as Vice President for NPL Incorporation, a Houston-based business communications firm, from 1980 to 1982.

Mr. Wampler's energy related background also includes service as Deputy Director for labor-management relations on the President's Commission on Coal from 1979 to 1980, and as Vice President of Training and Development for the Bituminous Coal Operators' Association, Inc. from 1976 to 1979. He also held several positions, including Corporate Manager for Training and Development, in the Island Creek Coal Company, Lexington, Kentucky, from 1970 to 1976.

Mr. Wampler's professional background also includes supervisory positions with Hercules, Inc. at the Radford (Virginia) Army Arsenal and with the State of West Virginia as a highway construction inspector. He has also served as a public school teacher in McDowell County in West Virginia.

A native of Bartley, West Virginia, Mr. Wampler was born on September 23, 1944. He received an associate degree in electrical engineering technology from Bluefield State College in West Virginia in 1965 and a Bachelor of Arts degree from the same institution.

Biography of Donald L. Bauer

Donald L. Bauer is the Department of Energy's Principal Deputy Assistant Secretary for Fossil Energy. His responsibilities include management of coal, oil, and unconventional gas research and development programs as well as the Naval Petroleum and Oil Shale Reserves and the Strategic Petroleum Reserve. In addition, he has been assigned responsibility for overseeing the Great Plains Coal Gasification Project.

Mr. Bauer has served either as Principal Deputy Assistant Secretary or as the Acting Assistant Secretary for Fossil Energy since February 16, 1982.

Mr. Bauer joined the Fossil Energy staff in 1976 as the Assistant Director for Facility Project Management where he was responsible for directing the procurement of major coal conversion facilities. He has also served as Chief of Programs Support in the Division of Fossil Fuel Processing with responsibility for division budget development and execution, management information systems development and maintenance and program/project decentralization.

In June 1981, Mr. Bauer assumed the position of Acting Deputy Program Director for Project Management in the Office of Fossil Energy. In this function, he was involved in the design, siting, construction and operation of major coal liquefaction and gasification projects.

Subsequently, Mr. Bauer was named to be the Acting Director of the Office of Coal Processing where he was responsible for the overall federal research and development program for coal liquefaction and gasification. He held this position until 1982 when he assumed his current post as the Principal Deputy Assistant Secretary.

Prior to joining the federal energy program, Mr. Bauer held a wide range of positions with the Department of the Army where he gained managerial experience in anti-ballistic missile systems. From 1960 to 1975, his positions included: Engineering Consultant responsible for the systems development activities associated with an Advanced ABM/BMD Systems (Site Defense); Chief of the Missile Division, Ballistic Missile Defense Systems Command, involving responsibility for the design, development and testing of the SPRINT II and improved SPRINT II Missile Sub-System for the Site Defense System; Project Manager with the Advanced Ballistic Missile Defense Agency; Project Manager with the U.S. Army Missile Command and Missile Test Engineer and Project Engineer in the Army Rocket and Guided Missile Agency.

Mr. Bauer began his government career in 1958 immediately after graduating from Grove City College in Pennsylvania with a B.S. in Chemical Engineering. He served two years in the U.S. Army as a Missile Test Engineer in the Army Rocket and Guided Missile Agency, a position which he resumed as a civilian immediately after his discharge.

In 1983, President Reagan named Mr. Bauer as a Meritorious Executive in the Senior Executive Service. Secretary of Energy Don Hodel conferred the Departmental Meritorious Service Award on Mr. Bauer in 1985.

Mr. Bauer was born in Lucinda, Pennsylvania, and currently resides in Falls Church, Virginia. He is married and has two children.

BIOGRAPHY OF RICHARD D. FURIGA

Richard D. Furiga is currently serving as Deputy Assistant Secretary for Petroleum Reserves, U.S. Department of Energy (DOE). As Deputy Assistant Secretary, he is responsible for management of the Strategic Petroleum Reserve and the Naval Petroleum and Oil Shale Reserves. The Strategic Petroleum Reserve is the largest crude oil storage program in the world with over 500 million barrels held in reserve along the Texas and Louisiana gulf coastline.

The Naval Petroleum and Oil Shale Reserves consists of three petroleum and three oil shale reserves, including the Nation's fourth largest producing oil field, the Elk Hills field in California. Until assuming his present responsibilities, Mr. Furiga served as Deputy Assistant Secretary for the Strategic Petroleum Reserve.

Mr. Furiga was an officer in the U.S. Navy from 1957 to 1977. His assignments included management positions in the petroleum logistics field; such as Director, Navy Energy Office and Director, Technical Operations, Navy Petroleum Office.

Mr. Furiga was born June 20, 1935, in New Eagle, Pennsylvania. He graduated from the U.S. Naval Academy in 1957 with a Bachelor of Science Degree in Engineering. He received a Master of Science Degree in Petroleum Management from the University of Kansas in 1972.

Mr. Furiga is married to the former Janet Marie Pietroboni. He has three children by a previous marriage: Christiann, a 1985 graduate of the University of Virginia; R. Colin, a law student at the University of Pennsylvania; and Merewyn, a junior at Chestnut Hill College in Philadelphia.

SUMMARY STATEMENT

Mr. WAMPLER. I would now like to make a summary statement. I'm pleased to make my first appearance before this subcommittee. I have submitted a formal statement for the record and would ask the subcommittee's permission to have the statement inserted in the record.

There are two major administration policy proposals in the fiscal year 1988 budget request for the Petroleum Reserves Program. The first is a proposal to fill the strategic petroleum reserve at the rate of 35,000 barrels per day rather than the current rate of 75,000 barrels per day.

And the second is to sell the Federal ownership interest in the Naval Petroleum Reserves, No.1 and No.3. We will take each in that order.

STRATEGIC PETROLEUM RESERVE

The proposed budget for the strategic petroleum reserve is $270 million. This amount includes $142 million for activities associated with the development, operation, and management of the reserve. In addition, we will be able to draw on $22.8 million from prior-year balances. These carryover funds include $10.6 million of identified savings on phase III construction.

The remaining $128 million would provide funds for acquiring and transporting crude oil. It would be added to $93 million in prior-year balances for a total fiscal year 1988 obligation level of $221 million.

Currently, Mr. Chairman, the strategic petroleum reserve crude oil inventory stands at nearly 519 million barrels.

By the end of this fiscal year, at the current fill rate, we will have approximately 534 million barrels.

Filling at 35,000 barrels per day in fiscal year 1988 would bring the total inventory to 547 million barrels.

While the administration continues to support an active SPR development strategy and has reaffirmed a goal of 750 million barrrels of oil in storage, we believe that annual fill rates must be measured against our total budget means and other priorities.

Clearly, however, this balancing must not be based on a single snapshot of our energy situation. We must ensure that the strategic petroleum reserve is not only adequate today, but also adequate for the future.

Particularly in light of the potential, as the Department's recent energy security study showed, for rising imports to pose an increasing security threat, the question of the most appropriate fill rate for the reserve must be continuously examined.

The Secretary has been on record as advocating a maximum fill rate consistent with budgetary requirements. And in the context of the administration's review of the energy security study, the issue of the reserve's fill rate is an item being discussed at senior policy levels within both the Department and the administration. Outside the question of oil fill, I'm pleased to be able to report to the committee that sufficient funds are available to complete all site construction, including activities at Big Hill and Bayou Choctaw, using prior-year funds.

Additionally, the budget permits the continuation of activities that will enhance our drawdown and distribution capabilities.

Senator JOHNSTON. How much?

Mr. WAMPLER. 3.27 million barrels in the fiscal year 1988 timeframe.

We will be able to achieve a 3.27 million barrel per day distribution capability in the fiscal year 1988 timeframe, and the budget request permits us to initiate the necessary Lake Charles pipeline that will raise the distribution capability to 3.57 million barrels per day by the end of fiscal year 1989.

NAVAL PETROLEUM RESERVES

Now I would like to discuss briefly the naval petroleum reserves program.

The fiscal year 1988 budget request for the naval petroleum reserves is $177.7 million, which would be offset by $18 million in prior-year funds. The new budget authority request, therefore, is $159.7 million.

Funding for NPR-1 and NPR-2—the two fields in California—would total $150.3 million, while funding for NPR-3 in Wyoming is proposed at $21.7 million.

Approximately $210,000 is also requested to continue land management activities at the naval oil shale reserves.

As the committee is aware, the original purpose of the naval petroleum reserves was to provide an emergency supply of petroleum for the U.S. Armed Forces. The purpose was broadened in 1976 to include production of crude oil and other products for commercial sale.

Now, several factors have combined to reduce—if not eliminate—the strategic value of the naval petroleum reserves:

First, the Defense Department today has much greater flexibility to procure necessary petroleum products from commercial refineries in the event of a national emergency.

Second, in the event we need to move crude oil into the refining market, the strategic petroleum reserve can distribute it nearly 30 times faster than the naval petroleum reserves.

And finally, the 11 years that the naval petroleum reserves have been produced at their maximum efficient rates now mean that the fields are in a natural production decline. While this is a normal geologic occurrence, the downward trend in crude oil output will further diminish the fields' strategic value in the future.

Given these factors, it is apparent that the reserves are no longer effective emergency stockpiles. Instead, they are more closely aligned with the commercial oil market, and are, in fact, commercial businesses run by the U.S. Government.

The administration believes that the Federal Government should transfer to private ownership businesslike activities which no longer serve a unique public purpose.

Not only would such a divestiture remove the Government from competition with private industry, it would have the dual advantage of bringing more responsive management to the reserves and freeing Federal Government management for tasks more appropriate to the public sector.

For purposes of the budget process, we have estimated the sale price of the reserves at $3.3 billion, although we expect the price could change in response to oil market conditions and other factors.

The competitive nature of the Department's anticipated divestiture process would also help maximize the financial return to the taxpayer in the sale of these assets.

The Department recently awarded a contract to the investment banking firm of Shearson Lehman Brothers to assist in several fossil energy-related divestitures.

The Department has already notified Shearson that it is exercising its option to have the banker perform a market study that will provide much of the information for the Department's report to Congress required by June 30, 1987.

We will be requesting that Congress enact legislation in 1987 authorizing the sale of the two reserves, so that such a sale can be accomplished by the end of fiscal year 1988.

Prior to tranferring ownership, Mr. Chairman, we will continue to produce the reserves at the maximum efficient rate, and our budget for fiscal year 1988 reflects that intent for the full fiscal year. Our expected revenues from the reserves in fiscal year 1988 are $700 million gross and $540 million net-of-expenses.

That completes my opening remarks, Mr. Chairman. I will be pleased to answer any questions.

FUTURE OIL PRICES

Senator JOHNSTON. Thank you very much.

What do they figure the reserves in Elk Hills are?

Mr. WAMPLER. 500 to 700 million barrels.

Senator JOHNSTON. 500 to 700 million barrels.

And the $3.3 billion, that would be a sale at what value for the reserves?

Mr. WAMPLER. We have to do some quick arithmetic, Mr. Chairman. Let me stress that the $3.3——

Senator JOHNSTON. That's $5 per barrel, Charlie tells me.

Now, do you expect the price of oil to stay around where it is now for the next 5, 7, 8 years?

Mr. WAMPLER. I have not found anyone, Mr. Chairman, who can accurately predict the price of oil. I know that someone predicted this morning from $10 to $30 a barrel.

I have been using $10 to $20, plus or minus $4 a barrel. It is very difficult to accurately predict what the price of oil will be.

Senator JOHNSTON. Five years from now, it will be up. I cannot see—I can't understand the sale of Elk Hills petroleum reserves. You can make a persuasive case on that either way, and I'm not totally persuaded, but I am subject to being persuaded. But not in this year.

This year, when oil prices are close to the bottom, I can't see why we want to sell them when, actually, all we are doing is—we're not really saving money off of the deficit; we're just moving our asset from one column to another, from one physical state into a dollar state in order to unrealistically or synthetically meet our $108 billion goal.

I cannot see any justification for that. Can you give me some justification?

Mr. WAMPLER. Let me please address the $3.3 billion figure. That was strictly a planning number. And probably the staff can tell you how that number was formed.

That number will certainly depend on several factors—the values of the reserves, and what the private sector expects their value will be.

The major point that I would make is that we are working with Shearson Lehman, which is developing marketing strategies for us to include in our June 30 report to Congress.

And I think, until we are finished with that process, we simply don't know. I think we will refine our thinking during that process and have a lot more information. We expect a report to be delivered to us in May, for a look at it before we deliver it to Congress.

Senator JOHNSTON. We rejected that last year, when Senator McClure was head of the committee. And I supported him. And it's for that very reason that the price of oil is down and should be going up. And we should not be selling at this time, we're talking about somewhere off in the future, when the price of oil is more maximized.

But, right now, I cannot imagine that such a bill would get out of our committee. I don't know what the Budget Committee is going to do.

We have got an immovable force being met—the immovable object being met by the irresistable force. You have got to get to $108 billion, and you have to do so without raising taxes, without cutting Defense.

And so what is left? About all you can do after that is to fictiously move budget numbers around like this. This is fiction.

LIKELIHOOD OF DISRUPTION

Senator JOHNSTON. Perhaps Mr. Waller would join us at the table for a few minutes. Mr. Waller, do you have any assessment of the likelihood of a mild disruption in the world petroleum market during the early 1990's—not necessarily a disruption severe enough to warrant distribution of oil from the SPR but one that would significantly raise prices and restrain our ability to acquire more oil for the reserve?

Mr. WALLER. It would be difficult to forecast with any degree of certainty a disruption of the type you have suggested, particularly in light of past events. When oil tankers became targets of Iranian and Iraqi war planes in 1984, one would have expected oil prices to increase rapidly, because of a perception that such activity would certainly reduce tanker traffic, thus restricting oil movements and constraining supplies. However, the oil continued to move, prices remained stable, and, in fact, declined gradually until last year, when increased production caused substantial reductions in oil prices despite the presence of hostilities between two major oil producers.

One certainly cannot discount the possibility of an oil disruption, given the volatility of the Persian Gulf region, from which the free world receives over 40 percent of its oil supplies. Therefore, the most prudent course for the United States and its partners in the Organization of Economic Cooperation and Development is to maintain substantial emergency oil reserves and continue efforts to diversify energy sources, remove market impediments, and plan for coordinated responses in the event of an energy supply disruption.

Senator JOHNSTON. If we are likely to be restrained from buying oil in the 1990's, where does that leave us?

Mr. WALLER. Unless we experience an oil supply disruption, there is no reason to assume that we will be restrained from buying oil for the SPR in the 1990's. Because of uncertainty about the future, our best course of action is to continue to fill the SPR at an aggressive rate, subject to budgetary constraints, and to continue our other emergency preparedness activiites, both domestically and with our partners in the International Energy Agency.

STRATEGIC PETROLEUM RESERVE CAPACITY

Now, on the strategic petroleum reserve, what is our capacity? If we had all the money in the world, how quickly could we fill it?

Mr. WAMPLER. We have a current storage capacity, as of March 1, of 552 million barrels.

Senator JOHNSTON. Barrels per day?

Mr. WAMPLER. 552 million barrels. If we, based it on existing capacity at this point in time, and we were to fill it at the maximum possible rate, it would be around 128,000 barrels per day. And that is without any leaching at all.

STRATEGIC PETROLEUM RESERVE LEACHING

Senator JOHNSTON. And we will be leaching in the meantime.

Mr. WAMPLER. Through fiscal year 1987. The 1988 budget does not propose leaching.

Senator JOHNSTON. The 128,000 barrels per day would be good for how long? Through this fiscal year? And then how about next fiscal year?

Mr. WAMPLER. You would run out of space in fiscal year 1988, if you did no further leaching.

Senator JOHNSTON. Are there plans to do further leaching?

Mr. WAMPLER. That is based on the request for a fill rate of 35,000 barrels per day, so there would be no further capacity required in fiscal year 1988.

Senator JOHNSTON. So the position is 534 million?

Mr. WAMPLER. No; we have some charts and graphs that would show the exact points of different fill rates that we can furnish you. These charts show the leaching done at the fill rate of 35,000 barrels per day. There would be no requirement in fiscal year 1988 and beyond that.

As I recall, on the timeframe for leaching at the 35,000 barrels per day, leaching would have to start in the first half of fiscal year 1991.

Senator JOHNSTON. I missed something. I thought you said we had capacity only for 1 year.

Mr. WAMPLER. At 128,000 barrels per day fill rate.

Senator JOHNSTON. We can also do leaching in the following year, after 2 years.

Mr. BAUER. If we stayed at 75,000 barrels a day in fiscal year 1987, you ask what can we do then in fiscal year 1988? We can fill at 128,000 barrels a day without any leaching in fiscal year 1988.

Senator BUMPERS. Will you speak up louder so I can hear, too?

Mr. BAUER. Good afternoon, Senator Bumpers. If we were filling at 75,000 barrels a day through fiscal year 1987, which is a given, and that is what we are doing, then the question is what is the maximum fill rate we can do in fiscal year 1988?

It is 128,000 barrels a day, without any leaching. If you wanted—then you would have to revert back to 75,000 barrels a day and begin leaching in fiscal year 1989.

Mr. FURIGA. Yes; we can stay ahead of the curve. At 75,000 barrels a day, you can leach out that much that fast.

And you need to do none this year.

Mr. BAUER. That is not the budget that is on the table today.

STRATEGIC PETROLEUM RESERVE FILL RATE AND LEACHING

Senator JOHNSTON. Let's assume that we want a level rate of 75,000 barrels a day for the current fiscal year, year after and year after, et cetera.

What do we need to do about leaching?

Senator MCCLURE. Let me make sure my figures are right. Current fill rate, current capacity in leaching, at the end of fiscal year 1987, the reserve would be 500—the capacity of the reserve would be 581 million barrels.

Mr. BAUER. Yes.

Senator MCCLURE. And the inventory would be 534 million.

Mr. BAUER. Yes.

Senator MCCLURE. We're dealing with the difference of 47 million barrels, and how long does it take to fill that? It is a simple arithmetic equation of dividing 47 million by the fill rate to find out how long it lasts.

Mr. BAUER. 128,000 barrels per day.

Mr. WAMPLER. 128,000 barrels a day.

Senator MCCLURE. Or, if you fill that 75,000 barrels, 47 million barrels would last how long?

Mr. WAMPLER. Two years, approximately.

Senator JOHNSTON. If you cannot answer precisely at this time, I wish you would furnish it for the record:

What we need to do in terms of leaching in dollar amount and by fiscal year to fill at, say, 75,000 barrels a day; and, alternatively, at 100,000 barrels a day.

Mr. Wampler. We can furnish that now if you'd like.

If we sustained the 75,000 barrels per day fill rate, we would need to achieve a 600 million barrel capacity in fiscal year 1988. At the OMB price we are looking at $591 million, plus $321 million which is—over our request. If you're looking at the Senate staff prices, the figure is $756 million, which is $378 million over our request.

Senator McClure. That is acquisition costs.

Mr. Wampler. Yes; that includes leaching costs also. We can separate it for the record.

Senator Johnston. Give us the separate leaching cost at 75,000 barrels a day and 100,000 barrels a day. That's about all we need.

[The information follows:]

Funding for Alternative SPR Fill Rates

The fiscal year 1988 President's budget request proposes that development of new storage capacity for the SPR be suspended at the end of fiscal year 1987 and that the oil fill rate in fiscal year 1988 be limited to 35,000 barrels per day (MBD). The table below summarizes the fiscal year 1988 request and the alternative funding estimates for fill rates of 75 MBD and 100 MBD. The estimates for oil acquisition assume average prices of $15.14 per barrel in fiscal year 1987 and $16.96 and $18.53 per barrel, respectively, in fiscal year 1988 and fiscal year 1989. However, if current oil market conditions continue, actual averages and the resulting funding requirements will be higher.

FISCAL YEAR 1988 BUDGET AUTHORITY

[in millions]

	Facilities and management	Oil acquisition	Total
Fiscal year 1988 request	$142	$128	$270
75 MBD fill	150	441	591
Change from request	+8	+313	+321
100 MBD fill	164	638	802
Change from request	+22	+510	+532

Senator Johnston. You know, a few years ago, we passed an amendment that was the law of the land, that said you do not count money spent on SPR in the budget deficit, and I thought it made a lot of sense, especially since it was my amendment. And now that we have all of this cheap oil, why shouldn't we go back to that? Dave Stockman came in with his truth in budgeting acting, which is kind of an oxymoron, I guess. But in any event, he came in with that proposal and put everything on budget. Why shouldn't we go back and take SPRO off budget?

Mr. Wampler. We have no disagreement from a policy standpoint, and from a security standpoint it makes sense to fill it at a more rapid rate. The problem is budgetary considerations, and, as I said in my opening remarks, we are reexamining that position at this point in time, at high levels within the administration.

Senator Johnston. The suggestion is, we ought to go back to the law that says you don't count SPRO in the deficit.

I have a number of other questions, but let me yield at this time to Senator McClure.

SALE OF ELK HILLS

Senator McClure. Thank you very much.

As a matter of record, with respect to the sale of Elk Hills, the Senate approved that sale and it was dropped in conference last year. I think, in candor, we have to at least increase the record to reflect that record but also confess it was the expectation when the Senate passed it that it would be dropped in the conference, so I don't think anyone was really misled by the Senate action. But it did show a willingness of the Senate. I don't suspect that there is any more or much different reaction today. A flirtation but no serious amorous intent. [Laughter.]

ADVANCED ORDERS OF STRATEGIC PETROLEUM RESERVE OIL

I want to look a little bit at policy. Beginning in fiscal year 1987 and in the years following, the policy of advance ordering for the strategic petroleum reserve, what were the advance orders into fiscal 1985, 1986, and 1987?

Mr. Wampler. In terms of time?

Mr. Furiga. We geared the prices for a price we would accept for a real time formula which was based on two crude streams——

Senator McClure. I am talking about SPR purchases, advance orders, the advance orders. How far in advance of delivery did the contract——

Mr. Furiga. In past years, we normally had 3 months advanced orders with Mexico.

Senator McClure. Isn't it a fact that in fiscal years 1985, 1986, and 1987, you were advance ordering 6 months?

Mr. Furiga. For budget purposes; yes, sir.

Senator McClure. The fact is, you advance ordered for 6 months, regardless of what your purposes were.

Now if I understand, for fiscal year 1987, you reduced the advance orders to 3 months, am I correct, in those two statements?

Mr. Furiga. That is right, sir.

Senator McClure. Can you tell me why. Is that a policy change?

Mr. Furiga. It is not a policy change. It is a change reflecting the market. Because of the availability of the oil, we did not find it necessary to have 6 months on order, because we had long-term contracts with PEMEX, and we were able to buy the oil on the spot market quite easily.

STRATEGIC PETROLEUM RESERVE DISTRIBUTION AND DRAWDOWN

Senator McClure. I want to look for a moment at your distribution and drawdown capacity. The capacity of the reserve was 534 million at the beginning of fiscal year 1987. This capacity will provide for 100 days of security at the current import level. At the beginning of fiscal year 1987, the reserve drawdown capacity was 3.3 million barrels a day while the distribution capacity was 2.32 million barrels a day. At the end of fiscal year 1987 the drawdown capacity will increase to 3.57 million barrels a day and the distribution capacity will increase to 3.27 million barrels a day.

If I understand it correctly, the progress made in the distribution enhancement programs stem from the construction of the 46-mile oil distribution pipeline from Bryan Mound to the Arco common carrier pipeline system at Texas City, TX.

In addition, engineering and design has been initiated for distribution enhancement to the strategic petroleum reserves Texoma and Capline systems. Are these the only distribution enhancements necessary to increase the distribution capacity to 3.27 million barrels a day in fiscal year 1988?

Mr. WAMPLER. Yes; for fiscal year 1988, it is.

Senator MCCLURE. What are your long-term plans to increase the drawdown capacity above the fiscal 1988 rate capacity of 3.57 million barrels a day?

Mr. WAMPLER. The distribution plans are such that when we reach the 750 million barrels of crude stored, we would have a capacity of 4.5 million barrels a day and the enhancements include the ones you mentioned. Specifically, they are the direct connection between the St. James Terminal that DOE has, the Capline Terminal, and the other two, the pipeline from Bryan Mound to Arco at Texas City.

So those plans are in place.

Senator MCCLURE. And you expect to follow that plan?

Mr. WAMPLER. Yes; we do.

Senator MCCLURE. When oil prices are not as high as they have been in the past, it makes sense to build the stockpiles. At least it does to me. There are budgetary considerations, but I would think that we ought try to buy low rather than buying high and selling low, which is usual governmental practice. [Laughter.]

AGRICULTURAL BARTER FOR OIL

Unfortunately, while the opportunity is in front of us right now, we also have a very tight budget that tells us we can't buy, even though it makes sense to buy. From just the strategic petroleum reserve standpoint, we ought to be buying, unless you think prices are going down dramatically.

And I think that was recognized by the Congress and the President with the amendments to the Food Security Act, Public Law 99–198. That provides for the barter of agricultural commodities for crude oil. That was done in order to maximize our opportunity to purchase and minimize the direct impact on the budget at a time of budgetary stringency.

I know that DOE did not support that idea when Congress adopted it, but it was accepted. And can you explain why DOE does not like it?

Mr. WAMPLER. We are open to the possibility of barter, and we have worked with the Department of Agriculture staff on general procedures that would be used for agricultural barter. There are discussions continuing at this time.

There are several points I would make however, there are active cash markets in both agricultural products and oil, and that makes barter arrangements likely to be an exception, rather than a general marketing approach.

Another problem is that countries want specific types of grain, while we want specific types of crude oil. Grains are in a glut condition, and it is not our intention to have these exchanges. What we would need to do would be to find countries that want to increase their crude export, and at the same time increase their grain imports. So far, we have not identified countries which are interested in this approach, but we will continue to work on this problem.

We do have staff assigned to it.

Senator McClure. I know that DOE was opposed. I don't mean you in a personal sense, but DOE was originally opposed to the test sale held in 1986.

If I understand it correctly, you learned something from that sale, and you apparently found it useful.

Mr. Wampler. Yes, Senator; we did.

Senator McClure. If no additional funds are provided in fiscal year 1988 for oil acquisitions, would DOE attempt to barter sales or acquisitions?

Mr. Wampler. I think we would attempt. We are attempting to move forward on barter sales, regardless of sufficient funds or insufficient funds. I think it is something that we will continue to look at.

REPROGRAMMING FROM PHASE III ACTIVITIES

Senator McClure. The fiscal year 1988 budget proposal includes a $10,599,000 reprogramming from phase III activities to nonphase specific. These funds result from the award of Big Hill construction projects that were less than budget estimates.

What caused those savings?

Mr. Wampler. Those savings were in construction contracts, and we feel that they were due to restricting the——

Senator McClure. No changes in the contracts. There were changes in the bids that you did not anticipate.

SULPHUR MINES

In reviewing the annual/quarterly report for the strategic petroleum reserve there is a change in the storage and drawdown criteria. The previous plan included a storage capacity at Sulphur Mines of 26 million barrels. The new plan proposes to eliminate this capacity and moves 20 million barrels to Big Hill and 6 million barrels to Bayou Choctaw.

When are you proposing to move this oil?

Mr. Wampler. That is in the outyears. Sulphur Mines was intended only to be a one-time drawdown storage site.

Mr. Furiga. That would not be done until we had completed the 750 million program. It is not a near-term option. Sulphur Mines has always been recognized as a one-time site. It is a small site. It is expensive to operate on a cost-per-barrel basis. It makes sense to consolidate at Big Hill.

Senator McCLURE. You do not plan to do that until you reach the 750 million barrels?

Mr. FURIGA. Until the outyears, 1989, 1990, 1991, 1992. It depends on the fill rate.

Senator McCLURE. 724 million barrels, and then you will shift?

Mr. FURIGA. No; we will move before—that 26 million barrels will be part of the 750 million barrels. We will do it before we reach the capacity of 750 million barrels. That is far in the future.

Senator McCLURE. Does that have anything to do with the $10 million reprogramming of Big Hill funds?

Mr. FURIGA. No, sir.

Senator McCLURE. What will be done with the Sulphur Mines facility?

Mr. FURIGA. I would assume it would be put through the Government's property disposal process.

Senator McCLURE. What are the standby costs per barrel at Sulphur Mines, and how does that compare with the other sites?

Mr. FURIGA. We would be pleased to provide that for the record, Senator.

Senator McCLURE. Would you do that on a site-by-site basis?

Thank you, Mr. Chairman.

[The information follows:]

SPR SITE STANDBY COSTS

The projected cost per barrel for site standby operations, maintenance, electrical power, and security for the SPR storage sites currently containing crude oil are presented below. These costs are in constant 1986 dollars and do not include capital improvement projects or indirect New Orleans management, operations, and maintenance [MOM] cost allocations.

Storage facility (Capacity)	*Dollar/ barrel/year*
Bryan Mound (226 MMB)	$0.067
West Hackberry (219 MMB)	0.081
Weeks Island (73 MMB)	0.067
Bayou Choctaw (66 MMB)	0.088
Sulphur Mines (26 MMB)	0.158

SALE OF NAVAL PETROLEUM RESERVES

Senator JOHNSTON. Senator Bumpers.

Senator BUMPERS. Just a couple of questions.

Mr. Wampler, on the sale of the naval petroleum reserves—I don't understand why you feel or the Department feels that these reserves are more appropriately managed in the private sector. Why are they?

Mr. WAMPLER. We feel, over the past 11 years the reserves have become what is tantamount to a private oil company operating in competition with other oil companies in that market, and we feel that it is inappropriate for the Federal Government to operate those kinds of businesses or operations similar to businesses.

Senator BUMPERS. It is an ideological thing?

Mr. WAMPLER. We feel that they can be better operated by the private sector.

Senator BUMPERS. You have not told me why.

Mr. WAMPLER. There are several reasons. As you look at some of the specifics, you have to look at things like economies of scale. An oil company would probably have centralized resources for sales, engineering, reservoir modeling, and that sort of thing. We are also governed by Federal laws and administrative procedures that are designed more for accountability than they are for quick response to market conditions and technical developments. These Federal laws and administrative procedures tend to inhibit the way we can respond to the open market.

Senator BUMPERS. Regardless of who operates them, whether the Government operates those reserves or whether they operate in the private sector, the oil is going to go on the market.

So what difference does it make from a competitive standpoint?

Mr. WAMPLER. You know, you can't totally predict the competitive price of oil coming from that operation, but if you follow our reasoning that it can be better operated by the private sector, then the oil should be more competitive.

Senator BUMPERS. Don't you contract with an oil company to operate those reserves?

Mr. WAMPLER. With Bechtel; yes.

Senator BUMPERS. What is the big deal then? It is Bechtel, not the Government operating it. Who can do it more efficiently than they can?

Mr. WAMPLER. The Government manages the contract, and Bechtel is actually the operating contractor. There is a lot of difference in the accountability, and so forth, than if they were a totally private operator of the reserve.

STRATEGIC PETROLEUM RESERVE OIL PRICE ASSUMPTIONS

Senator BUMPERS. There's one thing in your statement, I would like you to explain. At the bottom of page 5 of your testimony here, you tell us how much money you want for the strategic petroleum reserve, and then you say that oil price assumptions associated with this request are $15.14 per barrel in 1987, $16.96 per barrel in 1988, and $18.53 per barrel in 1989.

Do you see that?

Mr. WAMPLER. Yes.

Senator BUMPERS. Then on page 6, you say that you are already paying—are going to be paying—that you have paid $18 a barrel this March past.

Now how can you anticipate oil at $16.96, $16.96 in 1988, when you are paying $18 a barrel right now?

Mr. WAMPLER. The point is that nobody knows. Those are only planning figures. Predictability on the price of oil right now is almost impossible. I would say that figure is probably—if I just had to simply make a guess, that figure is probably rough.

Senator Bumpers. I think the subcommittee and the full committee will need more information—first of all, I think the chairman has indicated, and I think he is precisely right, that we are not going to vote to lower the fill rate from 75,000 barrels a day, but we do need some guidance as to exactly how much money it is going to take to do that in 1988.

PRICE OF NAVAL PETROLEUM RESERVE OIL TRANSFERRED TO STRATEGIC PETROLEUM RESERVE

And let me just finish by asking a question slightly unrelated to that. If you buy—I notice you have transferred some oil from Elk Hills to the reserves, you say as a test to see whether or not you can do that. Is that correct?

Mr. Wampler. Yes, sir.

Senator Bumpers. Now do you bid for that oil, or is there any provision of law under which the strategic petroleum reserve has the first call on that oil in filling the reserves? It wouldn't make any difference in an emergency where it was.

Mr. Wampler. Specifically on the NPR oil?

Senator Bumpers. Yes; is there an accounting mechanism by which you have to pay for that oil?

Mr. Bauer. For that test on NPR, we checked, first of all, the feasibility as to whether we could move NPR oil to SPR. That was the test. When it came time to sell the oil we set aside, for our own purposes, 8,000 barrels a day for 1 month. For accounting purposes, the price of the 8,000 barrels per day of NPR oil was based on market prices.

Mr. Bauer. The oil at the time that we sold it, let's say, was $16 a barrel.

Senator Bumpers. Let me go back and just ask you a couple of simple questions.

When you got this oil from the naval petroleum reserve, was this oil that you actually bid on? In short, does the strategic petroleum reserve bid on naval petroleum reserves just like any other private corporation would?

Mr. Wampler. No.

Senator Bumpers. You do not?

Mr. Bauer. No.

Senator Bumpers. Then are you obligated to pay them, or do you just work out some kind of an agreement where you transfer oil from NPR to SPR?

Mr. Wampler. We are obligated to pay just like any other customer, plus transportation.

Senator Bumpers. If you do not bid on it, how do you arrive at a price?

Mr. Wampler. It is the market price at that particular time.

Senator Bumpers. Then how is market established?

Mr. Wampler. Whatever contracts that have won the particular bid at that point in time, we would pay the same amount, plus transportation.

STRATEGIC PETROLEUM RESERVE FILL RATE

Senator BUMPERS. Mr. Wampler, I don't understand why Secretary Hodel, for example, and Secretary Herrington both are worried about how we are going to have this—short supply and long lines at the gas station. I don't understand this impending emergency that we are facing with a proposal to reduce by more than one-half the fill rate of the strategic petroleum reserve.

Mr. WAMPLER. As I said before, Senator, we have no argument from a policy standpoint. From an energy security standpoint, it makes sense to fill the SPR at a more rapid rate. It is simply an economic question.

We are again reconsidering the proposed fill rate at a very high level in the administration.

Senator BUMPERS. What is the ultimate goal for SPR?

Mr. WAMPLER. 750 million barrels.

Senator BUMPERS. Am I mistaken that several years ago when we got into this we were talking about 2 billion barrels?

Mr. WAMPLER. As I understand it, it has been a proposal, but it has never been authorized or never been discussed more than as a proposal.

Senator BUMPERS. Is this present authorization 750 million barrels?

Mr. WAMPLER. 1 billion.

STRATEGIC PETROLEUM RESERVE AVERAGE PRICE FOR OIL PURCHASES

Senator BUMPERS. Thank you, Mr. Chairman.

Senator JOHNSTON. The assumed average price per barrel, as Senator Bumpers said, in the current year is $15.14, 16.96 for next year, and $18.53 in fiscal year 1989.

Now, these figures, of course, are well below today's market. As a matter of fact, if you take the March average of $18 a barrel over the next 21 months, the budget request would be some $98 million short just to reach the 35,000 barrels per day.

Mr. WAMPLER. Yes.

Senator JOHNSTON. Will the President send up a budget amendment?

Senator BUMPERS. Would you yield?

Senator JOHNSTON. Yes.

Senator BUMPERS. What figure are you assuming the price?

Senator JOHNSTON. $18, today's price.

Senator BUMPERS. Are you saying that there is a $90 million shortage——

Senator JOHNSTON. $98 million.

Senator BUMPERS. And if they just have to pay $18 next year?

Senator JOHNSTON. $18 at 35,000 barrels a day, not to mention the 75,000 barrels a day which is likely.

Mr. WAMPLER. That is probably accurate. We are constantly looking at the price. Again, we cannot predict prices, and we will do whatever it is we have to do to comply with the law, Senator.

Senator JOHNSTON. The President you think will send up a new request?

Mr. Wampler. Whatever it is we have to do.

Senator Johnston. I wish he would send up one at 75,000 barrels a day. That is a very modest request.

PUBLIC LAW 99–413 AND NATURAL GAS LIQUIDS

You notice that the Department has experienced difficulty in carrying out the requirements of Public Law 99–413 with respect to the sale of natural gas liquids and other products, especially butane, from the reserves. I understand that you had just one bidder for the butane, a very small part of it, the mix, and it almost stopped you from selling the whole thing.

Would you elaborate on that?

Mr. Wampler. The reason that we have a problem with natural gas liquids, is that they are not primary products of the reserves. We have very limited marketing data in California. We have a contracting procedure that provides for the 3-month contracts.

We are gathering our market data on the spot-market data, and we have found that the prices for natural gas liquids have some wild seasonal swings. We are dealing with very thin markets.

For example, if you have a single refinery fire, you can cause a big price increase.

And what we are in the process of doing is getting ready to propose legislation to make the law applicable only to oil and natural gas produced at the reserves, but we have had a problem with the natural gas liquids.

PUBLIC LAW 99–413

Senator Johnston. Have the provisions of Public Law 99–413 caused you to request any funds in the fiscal year 1988 budget for purposes which you believe are inefficient and not in the best interests of the taxpayer?

Mr. Wampler. No funds are specifically requested in the fiscal year 1988 budget for implementation of Public Law 99–413. The analyses and data collection which support our minimum price calculations are labor intensive, and for the most part conducted by our regular Government employees. Expenses for information gathering outside of the Department are negligible; however, we believe that an inordinate amount of staff time is spent on the application of the law to natural gas liquids, because these are byproducts to the production of oil and gas, and account for less than 10 percent of our revenue. In view of this and because the markets for these products are thin and volatile, the Department recommends that the law be amended to exclude natural gas liquids from its provisions.

Senator McClure. Senator Johnston, I have other questions that I would like to submit for the record, and I would like to ask unanimous consent that certain questions submitted by Senator Domenici may be made a part of the record together with responses.

Senator JOHNSTON. Without objection, and I have more questions which I will submit in writing as well.

Thank you very much, gentlemen.

Mr. WAMPLER. Thank you.

EXPLORATORY DRILLING AT ELK HILLS

Senator MCCLURE. The budget has been increased, but it represents no exploratory drilling at Elk Hills.

Mr. WAMPLER. No exploratory, correct.

Senator MCCLURE. Have any candidate sites been identified for exploratory drilling, or does that just reflect the policy decision to offer it for sale and leave exploratory programs to someone else?

Mr. FURIGA. It reflects the field in Elk Hills being mature, and we just feel we don't need to explore there at the present time.

Senator MCCLURE. You don't think you need exploratory drilling at this time? You have not explored because it is budgetary?

Mr. BAUER. The field reached maturity, and concentration on the program in fiscal year 1988, as proposed, reflects that facts plus a moving to the EOR projects at Elk Hills and Teapot Dome. Where EOR is not applicable we are doing in-fill drilling. What we are doing is concentrating on the known programs that work, applying EOR techniques and hoping that they are going to work in the Shannon zone at NPR–3 and the shallow oil zone at NPR–1. If these techniques work, they will reach more of the reserves than we can today.

Other exploratory well activities have been identified. We have just concentrated on the EOR activities in fiscal year 1988.

Senator MCCLURE. If, indeed, you are not doing any exploratory drilling even though exploratory drilling from a technical standpoint is justified—that is what I understand your answer to be—then you are not really operating Elk Hills at MER. All you are doing is operating existing wells at MER. You are not maximizing recovery.

Mr. BAUER. We are maximizing recovery at the wells that we are in now. On the other hand, we have wells where we have very high gas-to-oil ratios and so we have to adjust those kinds of things before we go——

Senator MCCLURE. All I am trying to get is a picture of what it is we are trying to do, and if I understand correctly, what you are trying to do is deal with the existing reservoirs but not seek to find new ones.

Mr. BAUER. Except where EOR does not apply or cannot be applied, and then we are doing in-field drilling of like 35 wells.

Senator MCCLURE. But that is not to discover a new one?

Mr. BAUER. We can in-field drill, change the spacing pattern, and retrieve more oil.

Senator MCCLURE. More oil but not different reservoirs?

Mr. BAUER. Not different reservoirs.

DEEP TEST WELL AT ELK HILLS

Mr. WAMPLER. We have 1,200 wells producing. One thing I forgot to tell you. We have something that we are reasonably proud of, and that is the deep test well, exceeding 21,000 feet, at Elk Hills.

Senator JOHNSTON. Is there a structure down that deep?

Mr. WAMPLER. There certainly is. In the last few days, we have almost reached 25,000 feet.

Senator JOHNSTON. Do you know how thick the target area is?

Mr. WAMPLER. 25,000 feet is the bottom of the basin.

Senator JOHNSTON. That would be gas, of course?

Mr. WAMPLER. Yes; and probably condensates.

ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSTON. Thank you very much.

There will be some additional questions from various Senators which we will submit to you for your response for the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Department's Request for Oil Acquisition vs. Administration Budget

Question: In contrast to the fill rate of 35,000 barrels per day proposed in the budget, what was the assumed fill rate in the Department's request to the Office of Management and Budget?

Answer: The FY 1988 budget request which the Department submitted to the Office of Management and Budget in September 1986 proposed a fill rate of 35,000 barrels per day during FY 1986 and continuing until the inventory in storage at the SPR reached a level of 527 million barrels in FY 1988. This fill rate and fill level were in compliance with the requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law No. 99-72), enacted April 7, 1986.

On October 20, 1986, the President signed the Omnibus Budget Reconciliation Act of 1986 (Public Law No. 99-509). This legislation increased the minimum fill rate to 75,000 barrels per day beginning in FY 1987 and continuing until at least 750 million barrels are in storage. It also prohibits the sale of crude oil from Naval Petroleum Reserve Number 1 (Elk Hills) if this minimum fill rate is not met.

In November 1986, the Department submitted a revised request for the SPR to the Office of Management and Budget. Consistent with the requirements of Public Law No. 99-509, this revised request proposed that the Reserve be filled at a sustained rate of 75,000 barrels per day beginning in FY 1987.

Linkage of NPR Sales to SPR Fill

Question: OMB is clearly aware that the law prohibits the sale of petroleum from the Naval Petroleum Reserve if the SPR is not filled at an annual rate of 75,000 barrels per day. The Administration has proposed the repeal of this prohibition in the past. Has the Administration formally transmitted authorizing legislation to this effect this year?

Answer: The Department has drafted a short amendment to the Energy Policy and Conservation Act which would remove the linkage between the Strategic Petroleum Reserve fill rate and authorization to sell production from the Naval Petroleum Reserves. The draft legislation is under review by the Department of Energy and we expect it to be forwarded to the Congress in the future.

Question: What contingency plans has OMB prepared in the event that Congress should provide only the funds requested and elect not to repeal this prohibition?

Answer: The appropriation language for the SPR Petroleum Account, as proposed in the President's budget for fiscal year 1988, includes both a specific dollar amount and a proviso which would establish 35,000 barrels per day as the minimum fill rate for fiscal year 1988. Therefore, subject to changes in oil prices from those assumed in budget formulation, the President's budget recommends resources consistent with recommended requirements.

The Administration has no specific contingency plan in the event that Congress provides resources which are inconsistent with the statutory provision linking Strategic Petroleum Reserve fill rates to Naval Petroleum Reserve No. 1 (Elk Hills) crude oil sales. The Department would have to review the legal, technical and economic dimensions of alternative ways of administering crude oil production and disposition from Naval Petroleum Reserve No. 1.

Energy Security Report

Question: The recently completed "Energy Security Report" (on p.216) says that "The Administration will agressively continue to fill the SPR until the goal of 750 millon barrels is reached, subject to budget restraints." Now there is an equivocation if I ever saw one. Does that sound like a clear and aggressive policy to you, Mr. Wampler?

Answer: The Department intends to implement the Strategic Petroleum Reserve program in accordance with applicable law, and this includes limiting the obligation of funds to levels appropriated by the Congress in the budget process. So long as the Strategic Petroleum Reserve is administered as a Federal program subject to the availability of appropriations, budget restraints will be a reality in program execution. It would be misleading to suggest that Strategic Petroleum Reserve development could proceed independent of budget restraints.

Question: Does this budget request, which through no fault of your own you have to defend, seem like an aggressive continuance of the SPR fill?

Answer: The Strategic Petroleum Reserve program is unique in that we are accumulating an inventory. Any level of spending on Strategic Petroleum Reserve oil acquisition is going to expand program capabilities. Given the difficult choices which are being faced as part of the deficit reduction process, I am pleased to be presenting a proposal which reflects continued expansion of the Strategic Petroleum Reserve inventory and distribution capability.

Requests and Appropriations for SPR Oil Acquisition

Question: Would you provide for the record a table showing how much the Administration requested and how much Congress has provided for the Petroleum Acquisition account in each of the last four years?

Answer: The table below shows the Administration's requests and the appropriations enacted for the SPR Petroleum Account for FY 1984 through FY 1987.

(dollars in millions)

	FY 1984	FY 1985	FY 1986	FY 1987
Requested	$ 583.1	$1,889.6	$ 0	$ 0
Appropriated	$ 650.0	$2,049.6	$ 0	$ 0

SPR Program Goals

Question: In the past, the Secretary has cited the SPR with the equivalent of about 100 days of oil imports as one reason why this nation should feel relatively secure against future oil embargoes. Is the 100 import-day equivalent still a valid goal? If not, why not?

Answer: Expressing the size of the Strategic Petroleum Reserve oil inventory as the equivalent of a number of days of U.S. oil imports is helpful as one way of comparing broad alternatives. However, the Strategic Petroleum Reserve is an insurance program which ultimately has to be evaluated in terms of such additional factors as the costs of development, the oil supply risks facing the United States and its allies, and the availability of other means to mitigate the economic and national security implications of an emergency reduction in the supply of foreign oil. In 1975 the Congress established the Reserve to "diminish the vulnerability of the United States to the effects of a severe energy supply disruption" and provide limited protection from the short-term consequences of interruptions in supplies of petroleum products. (emphasis added)

In our judgment, this remains the best statement of the Strategic Petroleum Reserve program mission, as an important, but narrowly focussed, element of energy security policy.

Current SPR Inventory vs. Oil Imports

Question: At today's levels, how many import days equivalent do we have in the Strategic Petroleum Reserve?

Answer: The Strategic Petroleum Reserve inventory at the end of the first quarter of 1987 was 519 million barrels of crude oil or the equivalent of 103.8 days of imports at the first quarter 1987 average net import rate of 5.0 million barrels per day for both crude oil and products.

Planned Future SPR Inventory Level

Question: According to the "low price case" in the Energy Security Study, imports will be up to 7.8 million barrels per day in 1990 and 10.5 million barrels per day in 1995. Do your present plans for developing and filling the SPR maintain a 100 day supply in terms of these projected import levels? Even in the "high price" case which assumes imports of approximately 6 million barrels per day in 1990 and 7.6 million in 1995 -- do your plans maintain a 100 import-day supply for both dates under this optimistic scenario?

Answer: The Administration has endorsed the development of a 750 million-barrel Strategic Petroleum Reserve. This goal has also been endorsed by the Congress in making SPR facilities funding decisions and in other ways. If oil imports exceed 7.5 million barrels per day a 750 million-barrel inventory will be less than the equivalent of 100 days of U.S. oil imports. If oil imports are less than 7.5 million barrels per day, a 750 million-barrel inventory represents more than the equivalent of 100 days of U.S. oil imports.

Each of the cases presented is based on a series of assumptions about economic and oil market conditions in the future. As time passes, it will become clearer which of these alternative sets of assumptions is more accurate and we would assume that Strategic Petroleum Reserve development policies and plans will be periodically reviewed in light of new conditions.

Resumption of Capacity Development

Question: At the present fill rate of 35,000 barrels per day, the SPR would contain only 618 million barrels by the end of FY 1995. Even under the optimistic "high price"/low imports projection there would be only 81 import-days equivalent in the SPR. On page 4 of your statement, Mr. Wampler, you note that by the end of FY 1987,"...we will have completed all of the surface construction for the 750 million-barrel system and will be in a state of readiness to resume capacity development when warranted." What are your criteria for determining when further capacity development is warranted?

Answer: The Department intends to schedule Strategic Petroleum Reserve leaching activity in such a manner as to provide storage capacity commensurate with planned inventory levels.

Achievable SPR Fill Rates

Question: Under the budget proposal for capacity development, what would be the maximum achievable fill rates in each of the next five years? What would be the maximum achievable fill rates over those same five years if facility development were continued at West Hackberry, Bayou Choctaw and Bryan Mound? What would be the fill rate profile for the same five years if Big Hill capacity development were to commence as soon as possible and these caverns were also filled at their maximum achievable rate?

Answer: At the end of FY 1987, the Reserve will have a storage capacity of 581 million barrels and a cumulative fill of 533.8 million barrels. Maximum achievable fill rates for the next five years under the current budget proposal and alternative development scenarios are provided in the following table.

CAPACITY DEVELOPMENT PROGRAM ALTERNATIVES

Fiscal Year	President's Budget Year End Capacity (MMB)	President's Budget Maximum Fill Rate (B/D)	Continuation of Capacity Development at Bryan Mound, West Hackberry and Bayou Choctaw Year End Capacity (MMB)	Continuation of Capacity Development at Bryan Mound, West Hackberry and Bayou Choctaw Maximum Fill Rate (B/D)	Continuation of Capacity Development at All Sites (Including Big Hill) Year End Capacity (MMB)	Continuation of Capacity Development at All Sites (Including Big Hill) Maximum Fill Rate (B/D)
1988	581	129,000	600	181,000	600	181,000
1989	581	- 0 -	600	- 0 -	628	77,000
1990	581	- 0 -	600	- 0 -	653	68,000
1991	581	- 0 -	600	- 0 -	734	222,000
1992	581	- 0 -	616	44,000	750	44,000

Question: What would be the budgetary impact on the FY 1988 SPR account if either of these latter two scenarios were adopted?

Answer: Continuation of capacity development at West Hackberry and Bayou Choctaw (Bryan Mound development is completed in FY 1987) would require additional funding of $7.5 million in FY 1988. Continuation of capacity development at West Hackberry, Bayou Choctaw and Big Hill would require additional funding of $22.1 million in FY 1988.

Question: Would there be any technical and/or practical problems with the latter two scenarios?

Answer: There are no currently known technical or practical problems that would preclude achievement of the latter scenarios.

SPR Fixed Costs

Question: Do you have "Take or Pay" contracts for the electricity at any of your SPR sites?

Answer: DOE contracts with utility companies at all SPR sites are structured in a fashion similar to other large industrial consumers. The charge for electric power consists of two parts: (1) a monthly "demand" charge to assure power capacity availability, and (2) the energy and fuel adjustment charges which are both based on the actual kilowatt-hours consumed. The monthly demand charge is paid regardless of the amount of power used; it assures the utility company a minimum income necessary to maintain the service lines and equipment. During FY 1988, demand charges for the SPR sites will range from $78,000 at Sulphur Mines, $432,000 at Bayou Choctaw, $466,560 at Weeks Island, $781,000 at West Hackberry, to as much as $1.2 million at Big Hill following scheduled site testing.

Question: Are there any other large fixed costs associated with facility development which will continue even though you would not actually be developing additional storage capacity under the FY 1988 Budget proposals?

Answer: Although no storage capacity development is proposed during FY 1988, current plans are for maintaining cavern leaching staffs at West Hackberry and Bayou Choctaw storage sites in order to be able to resume capacity development when required. The cost of maintaining this additional staff is incorporated in the proposed FY 1988 budget. With only minor exceptions, all other site costs would be incurred as a consequence of maintaining a condition of readiness to fill and/or draw down.

SPR Site Development Costs

Question: Would you provide for the record the remaining incremental per barrel construction cost by site to create storage capacity up to a level of 750 million barrels?

Answer: At the end of FY 1987, the SPR's construction of surface facilities will be essentially completed and storage capacity will be approximately 581 million barrels. Completion of the Reserve to 750 million barrels will require continued cavern development (leaching) at three of the six storage sites at the following incremental capacity and estimated incremental costs in budget dollars:

Storage Site	Incremental Capacity (MMB)	Incremental Cost	$/Barrel
West Hackberry	19 (a)	$ 4,473,000	$0.24
Bayou Choctaw	16 (b)	11,815,000	0.74
Big Hill	160 (b)	53,835,000	0.34

(a) The two remaining caverns will be over 50% complete in FY 1987, requiring only approximately 7 MMB of salt to be leached to make available the final 19 MMB of capacity.

(b) Bayou Choctaw and Big Hill developments provide for additional 26 MMB capacity to accomplish the decommissioning of Sulphur Mines.

Question: Would you also provide this same information, subtracting any fixed costs which will have to be paid anyway over the next five years?

Answer: The above costs are incremental development costs over a standby budget; therefore, no fixed costs are included. Total standby operations costs for the next five years are currently estimated to be between $150 million and $175 million per year.

Improvements and Maintenance

Question: Are there any improvements to existing facilities which are needed but have been deferred in the current fiscal year?

Answer: No. All improvements previously planned for implementation during FY 1987 have been fully funded in the FY 1987 budget.

Question: How about deferred maintenance not in the FY 1988 budget request?

Answer: All maintenance and operations activities necessary to maintain SPR sites in a standby readiness mode and properly maintain capital equipment are included in the FY 1988 budget request.

West Hackberry Brine Disposal Pipeline

Question: What is the condition of the brine disposal line at West Hackberry?

Answer: An internal inspection of the line during early 1986 revealed that about 3,800 feet of pipe required repair or replacement. Permanent repairs to these sections were completed in January 1987 and the line was returned to service. An oxygen scavenging system has been installed to preclude further erosion and corrosion of the pipeline.

Presently the Strategic Petroleum Reserve has limited the pipeline's operating pressure, reducing its capability to 360,000 B/D as a safety precaution pending further engineering study to determine appropriate long-term solutions.

Question: Is it in danger of serious failure; and, if so, what would be the replacement cost?

Answer: With the worst section of the pipeline having been replaced, the line's maximum flow rate reduced, and the oxygen scavenging system installed, the danger of serious failure is considered small. The cost of replacing the entire pipeline, should that be necessary, has not been determined. The pipeline's original cost was $44 million in 1980; however, any replacement line would be smaller in diameter since flow rates required by oil fill and refill would be far less than that originally required for initial site cavern leaching operations.

Question: What would be at risk if the West Hackberry brine disposal line is not replaced in the next two-and-one-half years?

Answer: The necessity of replacing the line is not certain, pending completion of the previously mentioned engineering study. The risk of catastrophic failure is considered small in light of the line's presently reduced operating mode. Potential risks would include environmental damage from onshore leaks and temporary curtailment of the site's leaching capability. Existing onshore brine disposal wells, available as back-up to the pipeline, would provide a capability to continue oil fill.

Facilities Maintenance

Question: Would you provide for the record a list, in priority order, of all capital items scheduled for maintenance, including estimated cost and an indication of whether funds are in hand or have been requested, where the project is located, and the severity of need for the maintenance work?

Answer: All scheduled maintenance tasks for FY 1987 and FY 1988 having an estimated cost of $25,000 or greater are listed in the attached table. The total cost of these tasks by site are presented below. Funding required for these tasks is in hand or has been requested in the FY 1988 budget.

SPR Facility	FY 1987	FY 1988
Bryan Mound	$5,018	$3,692
West Hackberry	6,243	7,322
Bayou Choctaw	2,413	2,232
Weeks Island	2,808	3,251
Sulphur Mines	2,988	1,542
Big Hill	4,161	2,918
St. James Terminal	3,480	2,919
Total	$27,111	$23,876

FACILITY MAINTENANCE TASKS

MAINTENANCE TASK DESCRIPTION	SITE	FUNDS IN HAND	FUNDS IN BUDGET	SEVERITY (H, M, L)
Replace Control Bldg. Air Conditioner	BM		X	High
Replace/Repair Security Fencing	BM		X	High
Rehab. Tank Dikes	BM		X	Medium
Rehab. Lighting Arrestor Towers	BM		X	High

MAINTENANCE TASK DESCRIPTION	SITE	FUNDS		SEVERITY (H, M, L)
		IN HAND	IN BUDGET	
Rehab. Field Motor Control Centers	BM		X	High
Rehab. (3) Main Motor Control Centers	BM		X	High
Paint Seal Flush System	BM		X	High
Crude Oil Pipeline Repair	BM	X		High
Repair Seal Flush Piping	BM	X		High
Rehab. Drainage Ditches	BM		X	Medium
Rehab. Main Roads	BM	X		Medium
Repair (2) Tanks	BM	X	X	High
Rehab. Pipeline River Cross	BM	X		Medium
Repair Firewater Line	BM	X		High
Repair Motor Operated Valve Cables	BM	X		High
Paint Crude Oil Motor Skid	BM	X		Medium
Paint Storage Cavern Piping	BM	X		Medium
Process Pump & Motor & Valve Rebuilds	BM	X	X	High
Building Maintenance	BM	X	X	Medium
Repair Anhydrite Pond Dikes	WH		X	High
Clean Brine Pond of Anhydrite	WH		X	High
Rehab. Well Pad Dikes	WH		X	High
Resurface/Reboard Well Pads	WH		X	High
Dredge Boat Slip	WH		X	Medium
Clean Slop Oil Tank	WH		X	Medium
Overhaul Traveling Screens	WH		X	High
Rehab. Foam Building	WH		X	Medium
Overhaul Heavy Mobile Equip.	WH		X	Medium
Repair Seal Flush Piping	WH		X	High
Process Pump & Motor & Valve Rebuilds	WH	X	X	High
Building Maintenance	WH	X	X	Medium
Replace Emergency Backup Fire Pump	BC		X	High
Process Pump & Motor & Valve Rebuilds	BC	X	X	High
Building Maintenance	BC	X	X	Medium
Canal Security Barriers	BC		X	Medium
Emergency Site Lighting	BC		X	High
Replace Emergency Generator	WI		X	High
Rehab. Water Drain at Meter Prover Loop	WI		X	High
Replace Corroded Junction Boxes	WI		X	High
Repair Mine Lighting	WI	X		High
Process Pump & Motor & Valve Rebuilds	WI	X	X	High
Building Maintenance	WI	X	X	Medium

MAINTENANCE TASK DESCRIPTION	SITE	FUNDS IN HAND	FUNDS IN BUDGET	SEVERITY (H, M, L)
Overhaul Pipeline Valve Station	SM		X	High
Repair Brine Pond Levee	SM		X	High
Process Pump & Motor & Valve Rebuilds	SM	X	X	High
Building Maintenance	SM	X	X	Medium
Paint Storage Tank	SJ	X	X	Medium
Inspect/Repair Storage Tank Interior	SJ	X	X	High
Rehab. Motor Control Centers	SJ		X	High
Clear Pipeline Right of Ways Growth	SJ	X	X	High
Maintain Pipeline Right of Ways	SJ	X	X	High
Rehab. Effluent Pond Skimmer	SJ		X	Medium
Process Pump & Motor & Valve Rebuilds	SJ	X	X	High
Building Maintenance	SJ	X	X	Medium
Road Maintenance	BH	X		Medium
Wellhead Flange Repairs	BH	X	X	High
Provisioning Spares	BH	X	X	High

Phase III Construction Savings

Question: The budget justification (p. 356) notes that $10,599,000 has been saved by lower than expected construction costs for certain projects at Big Hill. Would you identify for the record exactly what work was originally budgeted and at what price and indicate exactly what work was contracted?

Answer: The President's FY 1987 budget request, submitted to the Congress in February 1986, proposed a moratorium on new Phase III surface construction at Big Hill and other Phase III sites at the end of December 1985. It further proposed that $156.7 million of the $161.2 million that remained available in Phase III to complete surface construction be deferred in FY 1986 and reprogrammed in FY 1987 for use in maintaining, operating and managing the SPR in a standby readiness condition. However, in April 1986, the Administration decided to continue Phase III construction to completion and released the funds it had proposed for deferral and reprogramming.

Details of the estimates for remaining Phase III construction at the time of the proposed moratorium and the current estimates are presented in the following table. As can be seen from this comparison, the $10.6 million savings are identified with the contracts awarded for the Big Hill pipelines and Stage 2 construction.

Phase III Construction Savings
(dollars in millions)

	December 1985	Current	Change
Big Hill			
Land Condemnation Settlement	$ -	$ 2.5	$+ 2.5
Design Engineering	20.4	21.3	+ .9
Raw Water & Brine Pipelines	38.8	35.0	- 3.8
Crude Oil Pipeline	26.2	21.4	- 4.8
Stage 2 Construction	39.4	32.2	- 7.2
Stage 2S Construction	8.0	8.0*	-
Other	2.7	4.9*	+ 2.2
Subtotal, Big Hill	$135.5	$125.3	-10.2
Bayou Choctaw			
Design Engineering	.1	.9	+ .8
Cavern 101 Construction	2.6	2.4	- .2
Brine Disposal Well Rehab.	-	1.1*	+ 1.1
Other	1.0	1.4*	+ .4
Subtotal, Bayou Choctaw	3.7	5.8	+ 2.1
Bryan Mound/West Hackberry	.4	.3*	- .1
Subtotal, All sites	139.6	131.4	- 8.2
Management Reserve	21.6	19.2	- 2.4
Grand Total	$161.2	$150.6	$-10.6

* Final pre-award estimates

Question: Was any of this money originally programmed for leaching related activities which the Administration now proposes not to do?

Answer: The FY 1986 Continuing Resolution, enacted on December 19, 1985, reprogrammed to Non-phase Specific all of the phase specific funding which was not expected to be needed to complete the surface facilities for a 750 million-barrel system. As a result of that reprogramming, the only funds that remained available in Phase III were the $161.2 million described in the previous Table 1. Therefore, none of the $10.6 million in question represents money that the Congress expected would be used to finance leaching related activities.

Maximum Leaching

Question: Has any decision been made at Big Hill, or any other SPR site, that would impede a maximum practical leaching schedule or which would add to the cost of such an effort?

Answer: No, the Big Hill storage site has been designed and constructed to sustain a maximum cavern leach rate of 1,400,000 barrels per day. However, due to the delayed Stage II construction award, the site will have an initial capability to leach at 1,000,000 barrels per day in October 1987 and will increase to its full capability of 1,400,000 within 180 days.

At the West Hackberry site, the maximum leaching rate has been reduced as a result of erosion/corrosion of the brine disposal pipeline to the Gulf of Mexico. However, pipeline repairs have been completed which will allow the site to complete cavern development in a timely manner.

Timing of Capacity Development

Question: It is my understanding that, for technical and economic reasons, the Department prefers not to create new storage capacity unless oil fill is occurring simultaneously, is that correct? Why is that?

Answer: The Administration prefers to fund Strategic Petroleum Reserve capacity development commensurate with inventory increases. The deferral of these budget costs from the present to the future is the rationale for this position. There is no technical requirement for oil fill to be occurring as storage capacity is developed so long as sufficient oil is available to permit control of cavern roof shape during initial stages of cavern leaching. Such small quantities of oil could be made available from other filled caverns.

Early Big Hill Fill Arguments

Question: If the Administration is truly committed to a 750 million barrel reserve, what are the arguments against conducting as much as possible of the FY 1988 or 89 SPR fill program at Big Hill and leaving existing excess storage capacity unfilled until needed?

Answer: Commencement of leaching at Big Hill in FY 1988 will not result in significant storage capacity available for fill until late FY 1989. This is because cavern development requires a minimum of 18 to 20 months of leaching prior to significant oil fill capability in order to properly develop the cavern sumps and shape the cavern roofs.

FY 1988 Budget Amendment

Question: Mr. Wampler, I have some concerns about the assumed prices of oil which underlie the Administration's request of $127,744,000 for petroleum acquisition in the FY 1988 budget. The assumed average per barrel prices of $15.14 in the current year, $16.96 next year, and $18.53 in FY 1989 seem very low. Even if the delivered price goes no higher over the next twenty-one months than the March average of $18 per barrel, the budget request would be some $98 million short of the amount required to sustain a fill rate of 35,000 per day through FY 1988, with advance orders of three months, as proposed by the Administraton. Will the President send a budget amendment to cover this shortfall, or will you drop the fill rate to 20,000 barrels per day, or less as necessary, to stay within the present request?

Answer: The President's FY 1988 budget request provides for a minimum fill rate of 35,000 barrels per day in FY 1988. We recognize that unless oil prices decline from current levels, either the minimum fill rate or the FY 1988 budget authority level will need to be revised. We expect to review this matter as part of the mid-year budget review process in the June-July timeframe.

Proposed Sale of NPR 1 and NPR 3

Question: Again this year the Administration is proposing to sell its interest in Petroleum Reserves at Elk Hills, California and Teapot Dome, Wyoming. What is the status of the Shearson Lehman Brothers report on divestiture techniques and proposals, and will that report be delivered to Congress by June 30 of this year as requested?

Answer: On March 2, 1987 the Department exercised its option to have Shearson Lehman Brothers prepare a marketing plan for both Naval Petroleum Reserves Nos. 1 and 3. The contract requires the project to be finished in 10 weeks, and we expect that Shearson's final report will be submitted in May. The Department is then required by statute to report to the Congress on the results of this and any related studies it has undertaken. We expect that report to be submitted by June 30, 1987, as required.

NPR Divestiture

Question: As you know, the divestiture proposal was received unenthusiastically last year by Congress. I believe that the opposition focused more on the timing of the proposal than the issue of divestiture itself. With petroleum prices at remarkably, I might say devastatingly, low levels last year, and with most major companies in the oil industry pinched for cash, the two reserves did not appear to be at peak value nor did there appear to be the level of industry interest and competition that would assure a fair sale price to the taxpayers. Under the circumstances that I have described, a cynic might say that the Administration never really intended to sell the Elk Hill and Teapot Dome reserves. He might conclude that the sale proposal was just a gambit in the President's effort to make his budget appear to be lower than it really is — smoke and mirrors as it were. Mr. Wampler, what would you tell that cynic is different about this year's divestiture proposal?

Answer: In the period since the divestiture of the two Naval Petroleum Reserves was first proposed, Congress has had a chance to think about the sale and to realize that it may well make sense. The Administration believes the Government has more important functions than running oil fields and so, from our point of view, proposing the sale is a reasonable thing to do.

There are a number of prerequisites to the actual sale of these assets including enactment of authorizing legislation, structuring and documenting the offer to sell, receipt and evaluation of purchase offers, and consummation of sales arrangements. Congressional action to authorize the Department to seek purchase offers is only the first step in the process. Market conditions can and probably will, change between the time Congress acts and the point of sale. Even if conditions do not change, markets reflect price expectations so there is no need to wait to sell the oil fields until prices actually rise.

We believe that if Congress enacts such legislation in calendar year 1987, it is possible that the Department can conclude sales for some or all of these interests in fiscal year 1988. However, we are committed to a rigorous evaluation of purchase offers and would not accept offers which did not provide full value to the taxpayer.

Since there are numerous tasks to be undertaken after legislation is enacted but prior to ownership transfer, we believe it would be wise for Congress to enact legislation promptly to avoid a loss of attractive sales opportunities which could occur.

Question: Has the Administration established a minimum price below which it will not sell the Reserves?

Answer: The Administration has done its valuations of the Reserves for the budget and internal purposes. In preparing the valuation estimates it was clear that the ultimate selling price would depend upon several variables. This is still the case.

When the Government is ready to sell, if the market for crude oil and oil properties is operating efficiently, we will be able to determine a minimum acceptable price. We do not plan to establish a minimum price until that time.

Question: Have you had any direct expressions of interest in the Reserves that you can discuss with the subcommittee?

Answer: While our marketing study is being prepared, we are interested in identifying suitable buyers for the Reserves, but we are not approaching companies or inviting them to express interest in these assets. Our knowledge of interest by companies withing the oil industry is limited to casual contacts and conversations peripheral to other business meetings. We do not know at this time who the seriously interested parties will be when we solicit proposals. In addition, we are studying alternative methods for divestiture including the potential for broader public ownership of interests in these fields.

NPR Revenue Projections

Question: Moving on to the sale of products from the Reserves, I noted earlier the FY 1988 revenues are projected to be nearly $700 million. What is the annual average price per barrel of oil assumed in that revenue estimate?

Answer: The FY 1988 revenue estimate of nearly $700 million assumes an average annual oil price of $15.34 per barrel at NPR-1 and $15.74 per barrel at NPR-3.

Question: How does that price compare with the figure assumed for the current year's revenue projections?

Answer: The current year's revenue projections of approximately $608 million are based on an average annual oil price of $13.50 per barrel at NPR-1 and $14.39 per barrel at NPR-3.

Question: Has the recent increase in oil prices caused you to reestimate your revenue figures, or do they look pretty solid?

Answer: Current year revenue projections recently have been reestimated at $673 million. This update reflects first quarter actual revenues, recent price increases and increased production at NPR-1 due to approval of new MER packages. Revenue estimates for FY 1988 are based on OMB December 1986 oil price assumptions (adjusted for the California and Wyoming markets) and will be reestimated upon receipt of new OMB price assumptions.

NPR Product Sales Procedures

Question: Last year the Department revamped its procedures for the sale of products from the Naval Petroleum Reserves. Would you elaborate on the revised procedures?

Answer: After the Department was exposed to the low prices which resulted from a January 27, 1986 bid opening for crude oil from NPR-1 in California, our Invitations for Bids were revised to change both the bidding system and the terms of the contracts. Some of the changes were applied to all products and contracts i.e. the contract periods were all shortened to 3 months with the exception of natural gas contracts which were shortened to 4 months. We also shortened the period between the opening of bids and the time of contract initiation which reduced the risk to bidders.

The most significant change was made to the crude oil bid and pricing system. Prior to the October 1986 contracts, the "base price" of Elk Hills oil was the average of the three highest posted prices for crude oil in fields proximate to the Reserve. Bidders bid bonuses and discounts to this base price, and price changes occurred only when the posted prices moved, causing a change in the base price. The bidding system instituted with the October 1986 contracts required that bids be made at specific prices. The contracts also contain a clause requiring a monthly price adjustment equivalent to the movement in the spot price for two types of oil in the Los Angeles area.

Because the spot market prices move daily and are arms-length transactions, all parties to our new contracts are confident that the monthly adjustments fully reflect the market price of oil. We have found that this system causes the bids to be clustered around the market value on the day of bid opening, and the adjustment holds the prices close to the market value. After three rounds of bidding using the new pricing system, our customers are satisfied and the Department has consistently received market prices for its oil.

NPR Exploration

Question: What have you learned to date from the deep test well at Elk Hills?

Answer: The deep test well penetrated a major sand body at 12,800 feet which correlates to a sand identified in a previously drilled well at 12,000 feet. This sand is postulated to pinch out to the east forming a good reservoir trap. A new exploratory well is scheduled to be drilled this fiscal year that will test this theory.

In addition, the deep test penetrated a gas zone at approximately 17,400 feet. This zone flowed gas and some condensate but quickly went to flowing water. It is postulated that a gas pool exists slightly updip of this hole. Consideration is being given to moving up the hole and redrilling on the updip side from 15,400 feet to 17,650 feet to test this conclusion.

Question: Why are no funds requested to continue exploratory drilling in FY 1988?

Answer: No funds are requested for exploratory drilling at Elk Hills in Fy 1988 due primarily to the exploratory drilling being conducted from FY 1987. The deep test well, now being drilled to a target depth of 25,000 feet and currently at 21,664 feet, will be the deepest well ever drilled in California and is expected to provide significant information on geologic structures at Elk Hills. A second exploratory well scheduled to be spudded in April 1987, and also part of the FY 1987 exploratory drilling, is targeted for 12,000 feet in a different section of Elk Hills. Together, these two wells will form the basis for decision-making on future exploratory wells. Exploration at Elk Hills for new or deeper reservoirs is still warranted and will be programmed on a systematic basis in outyears, as appropriate, pending sale of the reserves.

NPR Enhanced Recovery Activities

Question: How much did you spend for enhanced recovery efforts at NPR-1 and NPR-3 in FY 1986?

Answer: In FY 1986, a total of $2.5 million was spent at NPR-1 for drilling and preliminary work on the Shallow Oil Zone steamflood pilot project. At NPR-3, $.8 million was spend to operate the polymer, in-situ and steamflood pilot projects. Operation of the polymer and in-situ projects was completed in FY 1986.

Question: How much is planned for this type of effort this year and in FY 1988 and what would be the reasonable follow-on in FY 1989 and FY 1990?

Answer: In FY 1987, a total of $3.7 million is planned to be spent at NPR-1. This provides for the drilling of Shallow Oil

Zone wells and purchase and installation of facilities for the Shallow Oil Zone steamflood pilot project. In FY 1988 and FY 1989, the Shallow Oil Zone pilot project would be operated to allow for gathering and analysis of data, verification of technical and economic success, and design of an expansion project. Costs for these years would be minimal, consisting of operations and maintenance requirements. The major requirement is fuel gas for steam generation, which comprises 75 percent of the costs and would be an unbudgeted item as gas produced at the field would be used. Following operation of the pilot and assuming technical and economic recovery of oil, steamflood operations would be expanded incrementally in the Shallow Oil Zone. The first increment of expansion is estimated to occur in FY 1990, with an estimated cost of $8.5 million for facilities.

At NPR-3, $.4 million is planned for expenditure in FY 1987 to operate and maintain the steamflood pilot. Based on data gathered from pilot operations and assuming technical and economic success, expansion of steamflood in the Shannon Reservoir is planned to begin in FY 1988 at a cost of $4.4 million. This will provide for the drilling of wells and steam generation facilities. Costs in FY 1989 are estimated at $4.9 million, consisting mostly of operations and maintenance requirements for the first expansion increment. In FY 1990, expansion of a second increment into the Shannon Reservoir would occur at an estimated cost of $6.0 million, including $2.7 million for additional facility requirements.

Question: Mr. Wampler, the budget justification (p. 171) says that enhanced oil recovery activities will be expanded under the development facilities subactivity at Teapot Dome, but your prepared statement (p. 10) says that costs are being reduced in this area.

Which is correct?

Answer: During FY 1987 the enhanced oil recovery pilot projects at Teapot Dome required considerable monitoring and analysis, including closeout analysis on two types of enhanced recovery techniques which will not be used on a field wide basis. During FY 1988 this activity will cease and costs will be reduced. However, steam injection has proven itself to be a practical and economic method of recovering more oil from the Shannon Zone of the field. Based on this successful pilot, we intend to expand the application of steam flooding to cover a large portion of the field. This activity will require significant funds for steam generating facilities and the budget justification is correct that recovery activities are being expanded.

Unit Cost of Workover

Question: The key activities summary of your budget justification (p. 165) notes that remedial workovers were completed on 134 wells last year at a total cost of $10,000,000. Another 120 workovers are planned for the current year at a cost of $10,000,000 and some 175 jobs are proposed to be completed in FY 1988 with the request of $17,400,000. Why has the unit cost of these workovers increased by twelve percent in FY 1987 and nearly 18 percent in FY 1988, at a time when oil filed costs generally are down representing depressed market conditions?

Answer: There are many different types of workovers performed at Elk Hills which range in costs from approximately $40,000 to stimulate a well in the Shallow Oil Zone to $165,000 to convert a Stevens producer to a water injection well. In FY 1987 and 1988, more of the higher priced and deeper workovers are planned, which increases the average cost per workover.

Question: Why does the operator's fee increase by nearly 25 percent at Elk Hills next year? Is any additional work being done by the operator in FY 1988?

Answer: The operator's fee reflected in the FY 1988 budget request is only an estimate. Actual fees are negotiated annually based on the value of the statement of work. Although the FY 1987 budget shows $4.1 million for the fee, an actual fee of $4.62 million was negotiated for the FY 1987 Statement of Work, valued at $145 million. The FY 1988 budget request assumes work to be done valued at $150 million, an increase of approximately 3 percent over FY 1987. Thus, a commensurate increase is request for the fee. The actual fee for FY 1988 will be negotiated prior to October 1987, and be slightly lower or higher than the amount in the budget request. It should also be noted that the amount of fee actually paid to the contractor is based on performance. As a result, the amount of fee actually paid could be less than the amount negotiated.

Outlay Profile

Question: Would you provide for the record an outlay (not obligations) profile for each of the four major categories (O&M, Developmental Drilling, etc.) at NPR-1 since 1976?

Answer: The following table provides historical outlays by major category at NPR-1 since open-up in July, 1976. Please note that prior to FY 1980, NPR-1 funds were appropriated and accounted for in total, not by major category.

NPR-1 Outlays
(dollars in millions)

Fiscal Year	Operations & Maintenance	Development Drilling	Exploration Drilling	Development Facilities	Total
1976TQ					$ 19.4
1977					96.3
1978					124.9
1979					149.1
1980	$ 58.4	$ 37.5	$ .7	$ 29.8	126.4
1981	67.9	43.0	2.5	76.8	190.2
1982	90.3	67.6	11.9	52.2	222.0
1983	84.3	69.5	11.3	29.0	194.1
1984	72.6	23.4	3.9	2.6	102.5
1985	91.8	11.4	8.9	6.3	118.4
1986	92.3	15.6	9.8	11.2	128.9

NPR Production Rates and Lifting Costs

Question: What have been your production rates over the last five years at NPR 1 and NPR 2 and what have been the respective "lifting costs" for each of those years?

Answer: Shown below are the average production rates and respective "lifting costs" for the Stevens and Shallow Oil Zones at Naval Petroleum Reserve No. 1 at Elk Hills for Fiscal Year 1982-1986. Also shown is the Government's royalty share of the average production rate from Naval Petroleum Reserve No. 2. The "lifting costs" included in this table are calculated from the sum of (1) total direct operating and maintenance expenses, including water injection and disposal; (2) gas injection costs, including processing and distribution; (3) apportioned general and administrative costs; and (4) fuel costs divided by the respective production by zone. Lifting costs from Naval Petroleum Reserve No. 2 are not collected since all the Government's share of production from that Reserve is in the form of royalty payments from leases.

NAVAL PETROLEUM RESERVE NO. 1

	AVERAGE PRODUCTION RATE (BOPD)				
Zone	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
Stevens	134,000	128,900	114,200	108,650	95,800
Shallow Oil	30,900	27,200	23,500	21,400	19,200

	AVERAGE LIFTING COSTS ($/BBL)				
Zone	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
Stevens	0.84	0.89	1.12	1.36	1.67
Shallow Oil	1.76	1.64	1.79	2.04	2.39

NAVAL PETROLEUM RESERVE NO. 2

	AVERAGE PRODUCTION RATE-GOVERNMENT SHARE (BOPD)				
	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
Royalty Share:	267	255	258	252	228

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Naval Petroleum Reserves Divestiture

Question: In the FY 1987 Continuing Appropriations bill, Congress agreed to allow the Administration to spend $500,000 on a study which would examine the feasibility and desirability of selling the Naval Petroleum Reserves. Will the study examine the impact of the sale on the west coast refining industry?

Answer: The FY 1987 Continuing Appropriations Act put a limit of $500,000 on the amount of money which could be spent studying divestiture; no specific studies were requested. The Department has committed $350,000 to the preparation of a marketing plan for the Reserves by the investment banking firm Shearson Lehman Brothers. The Shearson report will discuss the implications for divestiture of provisions to assure continued access of independent refiners to Elk Hills crude oil. However, the Department plans to provide the Congress with a more detailed discussion of the policy aspects of this matter.

Question: Do you have any preliminary reports on its impact on small and independent refiners?

Answer: As part of its triennial study in support of continued production from the Naval Petroleum Reserves, the Department will examine the effects on refiners of a shut-in of Elk Hills. This work will include an analysis of west coast market trends and the role of Elk Hills in the California crude oil market. While this work is not yet complete, the Department plans to include excerpts of this analysis in its June 30, 1987 report to the Congress an divestiture.

Question: Do you intend to submit to Congress the legislation that is necessary to authorize the sale?

Answer: The legislation required to give the Department authority to divest the Naval Petroleum Reserves must be very carefully worded in order to give us flexibility to deal with the large number of issues which will arise. Draft legislation is undergoing an internal review, and we expect that it will be submitted to the Congress about the time of our June 30, 1987 report on divestiture studies.

Question: Do you intend to pursue the necessary authorizing legislation as a free standing bill or do you intend for it to be included as part of the FY 1988 appropriations bill?

Answer: We are flexible on the issue, but we currently expect that the authorizing legislation will be a free standing bill.

Question: Do you intend for such legislation to provide any kind of protection for small and independent refiners? If not, why not?

Answer: We have this issue under review. We want our policy to serve two objectives: (a) assuring that the Federal Government receives full value for the Naval Petroleum Reserves, and (b) assuring that markets remain competitive and that current recipients of Naval Petroleum Reserve production are treated fairly. The legislation we are contemplating would not contain a specific type of protection for refiners.

Question: If the reason for denying such protection to small and independent refiners is purely financial (i.e., it will lower the sale price of the reserves) have you offset the money that will not be received against the potential impact on the west coast refining industry?

Answer: This issue is under review. The Department intends to seek an appropriate balance between obtaining full value for these assets and ensuring a competitive market environment.

Question: If the reserves are sold without guaranteeing any protection to west coast refiners, and these refineries subsequently go out of business, how will this action affect the structure of the domestic refining industry and our national security?

Answer: Current analysis suggests that the transfer of ownership of the Naval Petroleum Reserves would not affect either the total amount of oil produced or refined in the state of California. As it is currently configured, most oil from the Federal interest in the Reserve oil goes into a common carrier pipeline owned by ARCO. Given available refinery capacity and pipeline configurations, there are very few potential buyers who could take all of the NPR-1 production, move it through their own pipelines and refine the oil in their own refineries. The more likely situation would be for new owners to continue to put the oil into the pipeline and to trade for oil which can be delivered at other locations. If this occurs, refiners will continue to enjoy free market access to the crude.

We also note that the Government's share of crude oil production at Naval Petroleum Reserve No. 1 is approximately 90,000 barrels per day, and that the capacity of the California refining industry is approximately 2,300,000 barrels per day. Thus Elk Hills supplies only 5 percent of California's capacity, which would not appear significant from either the perspective of overall competition or that of national security.

Question: The budget assumes a sales price of $3.3 billion for the two reserves. What is the basis for arriving at this figure?

Answer: The Department has developed a net-present-value model of the assets as they would appear to a private purchaser. Various assumptions regarding production, oil prices, interest rates, rates of return, and financing arrangements have been entered into the model, and the results examined. Because the model is sensitive to oil prices, interest rates, and the method of financing, we included wide ranges for these variables. As the time for offering the assets for sale approaches, the range of inputs to our model may narrow and the estimate of sales value may become more precise.

Question: Is that sales price based on any contigencies which could change so drastically that it is really hard to accurately predict a probable sales price?

Answer: Our examination of the value of the Reserves to a private buyer showed that the value was highly influenced by projections of crude oil prices, interest rates, and the percent of ownership which can be financed. As is often the case with a major asset, one must make the best reasonable estimate but recognize that the value of the asset will be known once we have received offers for it.

Question: Is there a sales price below which you would not be willing to sell the reserves? If so, what is it?

Answer: We have not now established a minimum price for the reserves. It is our policy that we will sell these assets only at prices which reflect fair market value.

QUESTIONS SUBMITTED BY SENATOR JAMES A. McCLURE

SPR Test Sale

Question: At the beginning of FY 87, the capacity of the Reserve was 534 million barrels. This capacity will provide for 100 days of security at the current import level.

At the beginning of FY 87 the Reserve's drawdown capacity was 3.33 million barrels a day while the distribution capacity was 2.32 million barrels a day.

At the end of FY 87, the drawdown capacity will increase to 3.57 million barrels a day and the distribution capacity will be 3.03 million barrels a day. What did you learn from the mandated test sale held in late 1985 and early 1986?

Answer: The test sale demonstrated that the SPR drawdown and distribution process will function effectively when called upon. While no significant problems were experienced with the sales process, the Department was able to identify the need for some minor refinements, which have since been incorporated in the SPR's sales procedures. Furthermore, the test provided valuable training to SPR personnel and the opportunity for industry to become familiar with the sales process, both of which are beneficial in assuring the readiness of the SPR and industry to react to energy emergency conditions. Finally, the sale provided enhanced public confidence in the SPR, a factor that is important to an overall energy emergency response.

SPR FY 1988 Capacity and Fill Alternatives

Question: At the end of FY 1987, the capacity of the Reserve will be 581 million barrels and the inventory will be 534 million barrels.

Under the FY 1988 budget proposal, capacity will stay at 581 million barrels and the inventory will increase to 547 million barrels. No funds are requested in FY 1988 for additional leaching. If Congress accepted your proposal and did not add funds for leaching, what is the maximum fill rate that could be attained in FY 1988?

Answer: As you stated, the capacity of the Reserve at the end of FY 1987 will be 581 million barrels and the inventory will be 534 million barrels. Therefore, with no further leaching, 47 million barrels could be added to the inventory in FY 1988. This would permit a fill rate of approximately 129,000 barrels per day in FY 1988.

Question: Under this plan, what would be the maximum fill rate in FY 1989?

Answer: Under the FY 1988 budget proposal, no new storage capacity would be developed after FY 1987. Therefore, if the Reserve were filled at the 129,000 barrel per day rate that is possible in FY 1988, there could be no fill in FY 1989.

Question: If you were to conduct a maximum capacity development and oil fill program, what could the oil inventory be increased to in FY 1988?

Answer: A maximum capacity development program in FY 1988 would include continued leaching at West Hackberry and Bayou Choctaw and the commencement of leaching at Big Hill. In this scenario, the inventory could be increased by approximately 66 million barrels in FY 1988, to a total of 600 million barrels.

Question: What would be the incremental cost for this proposal?

Answer: A maximum capacity development program would require incremental budget authority of approximately $22 million in FY 1988 for facilities and program management and approximately $845 million additional for oil acquisition. This additional requirement for oil acquisition assumes average oil prices of $15.14 per barrel in FY 1987 and $16.96 and $18.53, respectively, in FY 1988 and FY 1989. These are the price assumptions for the FY 1988 budget request, which may prove to be low based on recent cost experience.

Funds Available for SPR FY 1987 Oil Fill

Question: In fiscal year 1987 Congress mandated that the minimum fill rate for the SPR be 75,000 barrels a day. Based on oil prices at the time, it was assumed that available balances in the petroleum account would more than meet this requirement. We all know that oil prices are not stagnant and change often. Do you feel these carryover balances will be adequate to meet the 75,000 barrel minimum in FY87?

Answer: A total of $565 million was available at the end of FY 1986 to finance future oil acquisition and related expenses.

At 75,000 barrels per day, the required fill in FY 1987 is 27.4 million barrels, of which 10.3 million barrels were delivered during the first five months of the fiscal year at a total cost of approximately $170.4 million. This left $394.6 million to fund the remaining 17.1 million barrels of FY 1987 fill. At our current cost of approximately $18 per barrel, it appears that these funds will be sufficient to complete the FY 1987 fill.

Funding for SPR FY 1988 Oil Fill

Question: In FY 1988, you have proposed to reduce the fill rate to 35,000 barrels a day and have requested an additional $127 million to add to the planned carryover of $93 million for this purpose. Are you still able to meet this target at current prices?

Answer: A total of 10.3 million barrels were delivered during the first five months of the fiscal year at an average cost of $16.51 per barrel and a total cost of approximately $170.4 million. This total exceeds the budget estimate for 10.3 million barrels by over $14 million. The effect of this "overrun" is a dollar-for-dollar reduction in FY 1987 funds available for carryover to FY 1988. We currently are paying about $18 per barrel for oil; therefore, unless prices decline, the $127.7 million of new budget authority requested in 1988 will be significantly less than the amount required to achieve a 35,000 barrel per day fill rate.

SPR FY 1987 Fill Rates

Question: In FY 1987, you are proposing to fill at a much higher rate early in the fiscal year than you are later in the fiscal year. Why?

Answer: The average SPR fill rate of 75,000 barrels per day to be achieved in FY 1987 is an annual average rate. The actual fill rate for any period of time, however, is a function of the delivery provisions of the existing crude oil supply contracts, transportation system capacity, and terminal and storage site receipt capabilities. In actuality, the average daily fill rates for the first and second quarters of fiscal year 1987 were 56,307 and 93,575 barrels, respectively, for a six month average of 74,736 barrels per day. The lower first quarter fill rate was primarily a result of the FY 87 budget and the 75,000 barrel per day fill rate requirement not being passed by Congress until October 1986.

Test Transfer of Naval Petroleum Reserve Crude Oil to The Strategic Petroleum Reserve

Question: For emergency contingency purposes, the Department of Energy conducted a test of the domestic common carrier pipeline system from California to the U.S. Gulf Coast. This test was completed in early 1987 and delivered 267,000 barrels. Was any oil lost in this test?

Answer: A total of 266,784 barrels of crude oil was delivered from the NPR to the first of the four pipeline companies involved in the shipment of the oil to SPR storage in the U.S. Gulf area. The final quantity received by the SPR was 264,721 barrels, reflecting an intransit operational loss of 2,063 barrels, or 0.77 percent. Such losses are typical in any transportation system, due to reasons of evaporation, clingage and measurement inaccuracies during shipment, and are allowed for under the provisions of the pipeline company tariffs.

Question: Could this type of test transfer be accomplished on a long term basis?

Answer: The domestic pipeline system is capable of transporting crude oil from the NPR to the SPR. However, due to varying commercial shipment requirements, the system cannot be relied upon for delivering large volumes or maintaining the crude oil's original production quality during transit on a long-term basis.

Question: If so, what percent of the oil would be lost?

Answer: Projected intransit, or operating losses, cannot be quantified with any precision, but it is anticipated that such losses would be similar to those experienced in the test.

NPR Production and Sales Procedures

Question: After reviewing the production and sales procedures for the Naval Petroleum Reserve oil, Secretary Herrington directed that a series of steps be taken to help ensure that oil production reflect sound engineering practices and that the taxpayer receives the full market value of the crude oil.

Even though the new procedures have only been in effect for half a year, do you know if they've been effective?

Answer: We are very encouraged by both our production review and sales procedures. The maximum efficient rate of production for each reservoir is now reviewed every six months in light of production and geologic information gathered during that time. This method of rotational review, carried out according to specified analytic steps, has increased our confidence that production levels are neither too high nor too low at any time.

The changes made to our Invitations for Bids and pricing provisions of our crude oil contracts have been well received by industry. Changes such as shortening the period of time between bid openings and delivery dates decrease risks for everyone, and are universally popular. The change made to the method of bidding for crude oil at Naval Petroleum Reserve No. 1 has worked well. In all three competitions since adoption of the system, all winning bids have been tightly clustered about the spot market value of crude oil in Los Angeles at the time of bid opening. The monthly price adjustment clause has caused the contract price to track the movement of spot market prices in Los Angeles, and this has kept our sales prices in line with competing oils. This system appears to pose less risk for both the Government and contractors than the pricing system which depended on posted prices for both initial prices and adjustments to those prices. We are pleased with the system and expect to continue using it unless some specific event should show that further modifications are necessary.

Question: In the past, the government's share of crude oil production from NPR-1 was sold on the open market by competitive bidding. Prospective buyers submitted bids indicating the quantity of oil they would purchase and a per barrel bonus or discount that DOE would apply to an established base price in effect on the date of delivery.

This sales procedure functioned very effectively when oil prices were steady or were rising. In a declining market, however, unprecedented discounts were offered which reflected the buyers' perceptions of the uncertainties in future oil prices. How will the new system eliminate this problem?

Answer: The old system of pricing Naval Petroleum Reserve No. 1 crude oil examined "posted prices" for crude oils in fields nearby Elk Hills. The average of the three highest posted prices defined the "base price" for Elk Hills oil. Posted prices had several merits, one of which was stability during short term price fluctuations. The postings do move with trends in oil prices both up and down, but because of their stability these moves often lagged spot market movements by weeks and even months. When price movements were marginal and orderly, the lag did not effect our prices significantly. However, when prices became volatile, an undefined lag time of a month or longer could result in a significant price differential between Elk Hills prices and spot prices, either plus or minus.

Under the new pricing system, the price of Elk Hills oil changes once a month according to the absolute movement in the reported spot prices of two crude oils in the Los Angeles market. We believe that these spot prices are the best indicator of the market in which Elk Hills oil competes. By tying our prices to the movement in these market prices we give our customers the same prices as those they can get on the spot market. Therefore, regardless of price expectations, the rational bidder for Elk Hills oil would bid within a fairly narrow range above or below the spot price at the time of bid. While this theory has not been tested by a bid opening in a highly volatile price period, we believe that the system will work well under any circumstances.

Question: If the price of oil continues to steadily increase, how does the new system ensure maximum revenues to the government?

Answer: If a bid should occur at a time when oil prices are rising, the price adjustment mechanism which is defined by the spot market price for oil will assure that Government's sale price regularly adjusts to reflect the rising market prices.

NPR Divestiture

Question: In the FY87 Continuing Resolution, Congress authorized DOE to conduct a study by June 30, 1987 of the sale of the Naval Petroleum Reserve. Earlier this year, DOE contracted with the investment banking firm of Shearson-Lehman to perform this study.

Do you think they will have any problems meeting the June 30, 1987 deadline?

Answer: On March 2, 1987, the Department contracted with the investment banking firm of Shearson Lehman Brothers to aid us in the divestiture of the Great Plains Coal Gasification Project and, optionally to prepare a marketing plan for the Naval Petroleum Reserves. A ten week schedule is established for its completion. Therefore, we expect Shearson to complete its work in May. The report required by the Congress will be prepared by the Department and will describe the results of the Shearson Lehman effort, plus any other work we have initiated. We expect to submit the report by June 30, 1987.

Question: In fiscal year 1985 and 1986, the Defense Authorization Act included language requiring 30 percent of Naval Petroleum Reserves revenues to be deposited in the National Defense Stockpile Transaction Fund. This language was not included in the FY 1987 Act. To date, how much have you deposited?

Answer: Naval Petroleum Reserves revenues of $297.4 million in FY 1985 and $179.7 million in FY 1976, for a total of $447.1 million, have been transferred and deposited in the National Defense Stockpile Transaction Fund.

Question: How much of these funds have been expended to date?

Answer: To date, none of these funds have been expended.

OFFICE OF ENERGY EMERGENCIES

STATEMENT OF DAVID B. WALLER, ASSISTANT SECRETARY, INTERNATIONAL AFFAIRS AND ENERGY EMERGENCIES

ACCOMPANIED BY:

GEORGE J. BRADLEY, JR., PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS AND ENERGY EMERGENCIES

EDWARD V. BADOLATO, DEPUTY ASSISTANT SECRETARY FOR ENERGY EMERGENCIES

PREPARED STATEMENT

Senator JOHNSTON. Now, we have Mr. David B. Waller from the Department of Energy. Before you begin we will insert your prepared statement in the record at this point and then you may introduce your associates.

[The statement follows:]

STATEMENT OF DAVID B. WALLER

Mr. Chairman and members of the Subcommittee, it is my pleasure to appear before you today in support of the President's budget proposal of $6.21 million for ~~FY~~ 1988 for the Office of Energy Emergencies.

The budget for the Office of Energy Emergencies is designed to support the national energy policy goal of fostering an adequate and secure supply of energy to the country at a reasonable cost. This means sufficient energy supplies to meet our short and long-term needs without undue dependence on insecure sources or on any single source of supply.

To help achieve this goal, the Energy Emergency Preparedness Program seeks to promote energy stability, security and strength through an energy emergency response system that would:

- reduce the Nation's vulnerability to energy supply disruptions; and
- enhance our ability to minimize domestic consequences should a disruption occur.

As a key element of energy emergency preparedness, the Program supports policies, programs and procedures for:

- drawing down and distributing the Strategic Petroleum Reserve (SPR);
- fulfilling commitments to the International Energy Agency (IEA), the North Atlantic Treaty Organization (NATO), and other allies;
- assuring Congress, states, localities, and the public of timely, accurate information, analyses and assessments about an energy emergency as it develops;
- coordinating Federal energy actions through the Federal Emergency Management Agency (FEMA), with states, localities and industry during an energy emergency;
- ensuring that the Nation has sufficient energy supplies to meet defense and other vital national needs during peacetime and mobilization periods;
- ensuring that U.S. energy emergency responses, should they be necessary, are based on the best possible assessment of the energy situation;
- ensuring response readiness through contingency plan development, training and exercises including participation in IEA, NATO and other civilian and military exercises; and
- ensuring the performance of the Department's essential functions in the event of war.

The Emergency Preparedness Program provides the Department with a cadre of trained professionals with institutional knowledge and experience in critical energy resources (i.e., petroleum, natural gas, electricity and coal), industry operations, market analysis, national security affairs, and crisis management. They are supported by the latest analytical tools, and in an energy emergency, this cadre can be augmented by other Departmental staff and interagency efforts.

FY 1987 ENERGY EMERGENCIES PROGRAM

During FY 1987, the Office of Energy Emergencies will continue to assess energy vulnerabilities and to develop policies and programs to address those of significant risk to the Nation's security. We will be examining policies and measures to reduce vulnerabilities, preempt emergency occurrences, mitigate impacts if they do occur and restore normal operations.

These activities include:

- o expanding analyses of long-term energy issues that impact directly on energy emergency preparedness, the implications for U.S. energy vulnerability, and the adequacy of present Federal energy emergency policies and initiatives;
- o continued development of the Department's Energy Emergency Management System (EEMS); plan, conduct and evaluate a comprehensive Department-wide test of the system to ensure readiness of the energy emergency decisionmaking and response implementation process;
- o supporting international energy security programs including those at the IEA and NATO; this activity includes:
  - -- continued recruitment and training of the Joint Operational Staff (JOS) to fulfill functions of the NATO Wartime Oil Organization (NWOO); development of plans and procedures for operation of the NATO NWOO-West at its wartime relocation site; and provision of representation and technical support for participation in NATO civil emergency planning groups; and
  - -- completion of the follow-up on lessons learned from the AST-5 exercise and incorporate changes into contingency plans and procedures; provide government representation and technical support for participation in the policy and planning activities of the IEA Standing Committee on Emergency Questions (SEQ), i.e., development of coordinated stock drawdown and plans for test of such procedures.
- o continued monitoring of the energy situation and potential energy risks; develop risk analysis methods and data bases as needed; and update and improve emergency response measures;
- o conducting technical energy studies of national security issues, including studies in response to National Security Council classified defense energy taskings;
- o planning for DOE participation in interagency civilian readiness, continuity of government, and defense-related exercises;
- o examination of policies and programs to assist in planning for the execution of Defense Production Act (DPA) authorities to respond to Federal agency requests for energy resources during national security emergencies; further define energy requirements for mobilization during a national defense emergency;
- o improvement of data analysis capabilities for emergency management with new or improved computer support tools (e.g. Decision Support System expanded database, microcomputer based communications network);
- o recruitment and training of new Executive Manpower Reservists to ensure that an effective National Defense Executive Reserve (NDER) Program will be available to augment DOE staff with industrial experts in a national emergency; integrate NDER's and DOE field elements into continuity of government sector teams and conduct team training; and
- o maintenance of an operational capability to respond to energy emergencies and to carry out continuity of government responsibilities by developing special energy data bases; conducting staff training; participating in readiness exercises; maintaining support facilities; and enhancing coordination links to States, DOE Regions and selected NDER's.

FY 1988 EMERGENCY PREPAREDNESS BUDGET REQUEST

The FY 1988 budget request for the Office of Energy Emergencies is $6.21 million, a 3% increase over the FY 1987 appropriation. A summary follows:

($ in thousands)

	FY 1987 Appropriation	FY 1988 Request
Emergency Planning	$ 450	$ 450
Emergency Operations	$ 368	$ 368
Program Direction	$ 5,226	$ 5,388
Total Operating Expenses	$ 6,044	$ 6,206

During FY 1988, we will continue to emphasize energy emergency preparedness activities both internationally and domestically. A variety of energy emergency preparedness tests and exercises will allow us to assess our approach to emergency planning, operations, and policy analysis, while identifying and assessing those areas that require new programs or procedures or priority attention by the Executive and Legislative branches of Government. We will continue to develop in-house expertise for planning, operations, and policy analysis and evaluation activities as the most effective strategy for accomplishing energy emergency objectives. This approach maintains a relatively senior, experienced, and well-trained cadre of energy experts who can be quickly augmented by other personnel in an energy emergency.

We will support the Interagency Groups on Energy Vulnerability (IG-EV), National Mobilization, and Telecommunications. This involves providing a Secretariat to support the Chairmanship of the IG-EV, supporting staff membership, and the coordination of supporting studies for the subgroups.

We will examine the impacts of actual or prospective disruptions to energy systems and alternative responses to such disruptions. We will assess national security and other critical energy needs, and how to meet these needs. We will examine alternative ways to mitigate and respond to such threats. These activities will emphasize the identification, analysis, and systematic assessment of threats -- both foreign and domestic -- to our energy security. This will require close coordination with industry organizations and other elements within the Federal Government concerned with domestic and foreign threat assessment.

We will be responsible for developing, implementing, testing, and evaluating Departmental energy emergency preparedness policies, plans, and operations (with the exception of nuclear-related accidents). These activities, in collaboration with other Departmental elements, will include planning to increase U.S. preparedness and reduce our vulnerability; testing of emergency response capabilities, to include public information programs; and providing for effective use of resources such as the SPR.

We will increase our cooperative efforts with industry to enhance national security emergency preparedness. These efforts will address specific changes in facilities, operational protocols, enhancement of the NDER Program, and working relationships with energy industry organizations such as the North American Electric Reliability Council and the National Petroleum Council.

We will provide managerial oversight of a DOE National Laboratory Council on Energy Security to bring together the energy emergency efforts of DOE's technical experts.

The Program will involve efforts to ensure U.S. capability to meet our international commitments to the IEA, NATO, and other obligations. These efforts will include participation in the IEA SEQ, allied stock drawdown decisions, and NATO civil emergency preparedness activities. IEA activities will also include participation in a proposed test of coordinated stock drawdown procedures and fine-tuning of such procedures, and further systems improvements. During FY 1988, we will also plan for and conduct a NATO NWOO training session.

During periodic tests and exercises, we will obtain and interpret information on expected market operations to assess the impact of events on supply availability, the U.S. economy, trade policy, and national security. Such assessments and other analyses will be prepared for actual emergency situations which may arise, and will be disseminated to States, local governments, and the general public as part of the Federal Government's emergency response. Essential to these efforts will be the maintenance of various automated energy data systems.

We will integrate simulations, exercises, and gaming into a framework focusing attention on energy emergency policy, strategy and decisionmaking. This effort will concentrate on larger issues involved in energy emergencies as well as the important modeling techniques necessary to evaluate energy assumptions, methodologies and projections.

The Office will develop, implement, and enhance systems for ensuring the efficient operation of the Department's energy emergency response policies and programs prior to and during emergencies. We will conduct assessments of the national security and defense implications of energy emergency preparedness and response policies and programs through coordination with other U.S. agencies and participation in classified national defense tests and exercises. This will involve conducting technical studies and analyses in support of National Security Council-mandated classified defense energy taskings, including National Security Decision Directives (NSDD) 134, 188, 97, and 201, to reduce U.S. vulnerability to disruptions from terrorist attack, sabotage, or other emergency events. A major objective is to ensure our ability to effectively use scarce energy supplies. These assessments will also consider use of the DPA in the event of a national defense emergency or military mobilization.

We will continue a major effort to fine-tune and maintain a unified management process, EEMS, to coordinate government preparation for, and response to, a wide range of potential energy emergencies. During FY 1988, activities will focus on the conduct of periodic exercises to test and refine EEMS capabilities (i.e., incorporate energy emergency assessments; development of alternative response strategies; presentations for secretarial decisionmaking; and implementation of coordinated responses) and augment associated analytical and decision support systems.

EMERGENCY PLANNING

The FY 1988 budget request for Emergency Planning is $450,000 - the same level as the FY 1987 appropriation. The request provides contract assistance needed to:

- o support the preparation and conduct of emergency preparedness tests and exercises, including WINTEX-CIMEX and EEMS (emergency management processes will be developed and refined to augment in-house staff and provide assistance in performing evaluation and follow-up activities), and provide support for enhancement of data analysis capabilities; and
- o support classified energy security tasks with emphasis on NSDD-188 implementation, and domestic energy security vulnerability-related issues; conduct further analysis of defense energy requirements; and support national security analyses for FEMA Special Compartmented Programs (these tasks are required by Presidential Directives and require major analytical efforts that involve modeling and simulation

of defense energy requirements in the event of mobilization and other defense-related activities).

EMERGENCY OPERATIONS

The FY 1988 request for Emergency Operations is $368,000 - the same level as the FY 1987 appropriation. The request provides necessary contract support to maintain automated information services that involve specialized computer programming and data services for modeling and impact analyses of classified scenarios or emerging threat conditions; continue electronic mail service to support information exchange with State and local governments, DOE Operations Offices, and key elements of the private sector, e.g., DOE Executive Reservists, in energy emergencies and in conduct of unclassified exercises; continue commercial timesharing services from industry sources; and fund Automated Office Support System (AOSS) requirements.

PROGRAM DIRECTION

The FY 1988 request for Program Direction is $5,388,000 - an increase of $162,000 over the FY 1987 appropriation. The request provides for salaries and additional administrative overhead (e.g., rent) and telecommunications costs. The Energy Emergency Preparedness Program reimburses the Department's Administration Office for these overhead costs. This budget request would maintain the Energy Emergency Preparedness Program at 71 FTE's.

This concludes my formal statement on our FY 1988 budget request. I will be pleased to answer any questions you may have.

Biography of David B. Waller

David B. Waller was nominated by the President on February 21, 1986, and confirmed by the U.S. Senate on June 6, 1986, as Assistant Secretary for International Affairs and Energy Emergencies, U.S. Department of Energy (DOE). In this position, he serves as the principal international policy advisor to the Secretary of Energy and spokesman for the Secretary on matters of international importance. He also coordinates the DOE's non-nuclear emergency preparedness planning and emergency operations.

In addition, Mr. Waller is responsible for maintaining DOE's relationships with foreign governments and international energy organizations and for developing departmental positions for international negotiations and the implementation of international cooperative agreements.

Mr. Waller comes to the Department of Energy from the White House where he has served since 1982 as Senior Associate Counsel to the President. He was Associate Counsel to the President, 1981-1982.

Mr. Waller was in private law practice with the Washington, D.C. law firm of Hogan and Hartson from 1978-1981. He served in the Attorney General's Honors Program at the Department of Justice, where he was a trial attorney for the Civil Division, from 1974-1978.

A native of Decatur, Illinois, Mr. Waller received his B.A. degree cum laude from Denison University, Granville, Ohio, in 1970, was named Economics Fellow and was inducted into Omicron Delta Kappa Leadership Honorary and Omicron Delta Epsilon Economics Honorary. He received his J.D. degree from the University of Tulsa, College of Law in 1973, where he served as Editor of the Law Review, graduated first in his law school class and was named the outstanding student in the College of Law. He served in the U.S. Army Reserve from 1970-1976.

Mr. Waller is admitted to practice law before a number of federal and state courts, including the Supreme Court of the United States. He serves as a member of the National Council of the Federal Bar Association. He is active in the alumni affairs of both his undergraduate and graduate schools, and currently serves as national chairman of the Denison University Annual Campaign. Mr. Waller also sits on the National Council of the Friends of the Kennedy Center in Washington, D.C.

Mr. Waller currently resides in Washington, D.C.

Biography of George J. Bradley, Jr.

George J. Bradley, Jr., is the Principal Deputy Assistant Secretary for International Affairs and Energy Emergencies, U.S. Department of Energy (DOE). As Principal Deputy, he is responsible for acting during the Assistant Secretary's absence and day-to-day management of the International Affairs and Energy Emergencies functions of the Department. From June 1985 to June 1986, in addition to being Principal Deputy, he served as the Acting Assistant Secretary.

Prior to his current appointment, Mr. Bradley served as the Deputy Assistant Secretary for International Affairs. In this capacity, he was responsible for the international aspects of U.S. energy policy including analytical assessments of nuclear nonproliferation and related activities. Also, he served as Principal Deputy and Acting Assistant Secretary for International Affairs from 1982 to 1983.

Before coming to Washington, D.C., Mr. Bradley served as U.S. Department of Energy Representative and Nuclear Counselor in Brussels. In this position, he counselled high-level European energy officials and advised the U.S. Ambassador to the European Community on matters concerning American and European research, and nuclear nonproliferation matters.

Mr. Bradley, who is a 22-year career manager, previously served as Executive Director for Defense Programs in DOE; as Associate Assistant Administrator for National Security, responsible for day-to-day management of the nuclear weapons programs in the Energy Research and Development Administration (ERDA), DOE's predecessor agency; and as Director for Policy Analysis and Field Operation, ERDA, specializing in policy, programming, budget, and organization. Additional assignments included program management in DOE's Military Applications, Chicago Operations Offices and Argonne National Laboratory.

Mr. Bradley's education includes a B.S. from Morningside College in Iowa, an M.A. with honors from the University of South Dakota, and completion of basic requirements for his Ph.D. in International Relations at the University of Maryland. He is fluent in Italian.

Mr. Bradley is married, has two children, and resides in Silver Spring, Maryland.

Biography of Edward V. Badolato

Edward V. Badolato was appointed Deputy Assistant Secretary for Energy Emergencies, Office of International Affairs and Energy Emergencies, U.S. Department of Energy (DOE) on October 8, 1986.

In this position, Mr. Badolato is responsible for the Department's policies, programs and planning to prevent, mitigate or respond to disruptions of domestic energy supply sources and systems. He is also responsible for coordination of energy emergency policies and programs with U.S. allies in the North Atlantic Treaty Organization (NATO) and other international organizations such as the International Energy Agency (IEA) based in Paris, France.

Prior to assuming his current duties, Mr. Badolato had served as DOE's Deputy Assistant Secretary for Security Affairs, Office of Defense Programs, since December 4, 1985. His responsibilities included the protection, control, and accountability of special nuclear materials components and nuclear weapons at 59 DOE facilities throughout the United States.

Mr. Badolato came to DOE as a Special Assistant to the Secretary of Energy in February 1985. He was previously assigned to the Department of State's Bureau of Politico-Military Affairs.

Until his recent retirement, Mr. Badolato had served in the U.S. Marine Corps as a career officer since 1960. During his twenty-five year career, he served in various staff assignments and commanded Marine units at every level from platoon through battalion both ashore and afloat throughout the world. During his tours of duty in Vietnam, he was a company commander, an advisor to the Vietnamese Marines, and a Battalion Operations Officer.

Mr. Badolato is an experienced Middle East expert, having studied Arabic at the Defense Language Institute, the Foreign Service Institute, and the American University of Beirut. He has served also extensively in the Middle East and Persian Gulf areas in numerous assignments, including UN Military Observer in Jerusalem, Defense Attache in Beirut, Naval Attache in Syria, Naval Attache in Cyprus, and on a Fellowship in the Persian Gulf Area.

As the Project Officer for Laser Weaponry Programs at the Marine Corps Development Center at Quantico, Virginia, in the early 1970's, he participated in the development of the Laser Guided Bomb, the Laser Target Designator, the Laser Rangefinder system, and High Energy Laser systems.

Mr. Badolato was born August 19, 1935, in Baltimore, Maryland. Upon graduation from Towson State University in 1960, he was commissioned a Second Lieutenant in the United States Marine Corps. Mr. Badolato attended the Marine Corps Command and Staff College in 1973, and graduated with distinction from the U.S. Naval War College in 1980. He has performed graduate studies at Georgetown University, George Washington University, and the University of Virginia.

In 1981 Mr. Badolato was assigned as the Marine Aide to the Assistant Secretary of the Navy; and in 1983, he was selected as a Strategic Studies Fellow by the Chief of Naval Operations.

Mr. Badolato is the author of numerous articles on the Middle East, Latin America, Naval Strategy, Fire Support Tactics, Laser Guided Weaponry, and Riverine Operations. He is a member of the Marine Corps Association, the retired Officers Association, the National Rifle Association, the Army and Navy Club, and the Foreign Service Officers Association.

Mr. Badolato is married to the former Lois Pieper and they have two children.

SUMMARY STATEMENT

Mr. Waller. Let me introduce my colleagues.

With me today is George Bradley, Jr., who is the principal Deputy Assistant Secretary for International Affairs and Energy Emergencies and Ed V. Badolato, Deputy Assistant Secretary for Energy Emergencies.

Our program provides the Department with a cadre of trained professionals with institutional knowledge and experience in critical energy resources, industry operations, market analysis, national security affairs, and crisis management. They are supported by the latest analytical tools, and in an energy emergency this cadre can be supplemented by other departmental staff and interagency efforts.

The role performed by these individuals is key to the success of this program. This budget provides the essential dollars to pay the salaries and the benefits, with an additional amount needed for contract support.

The budget we believe is lean, reflecting a zero growth except for a slight increase in overhead.

I am confident that it is a budget that will allow us to perform our essential responsibilities related to energy emergencies.

During the current fiscal year, we have made progress in energy emergency preparedness. We have improved the organizational framework, developed appropriate energy management systems, and outlined in more detail the programs to test these systems, consistent with our commitments to you made last year. We are now prepared to simultaneously test, evaluate, and otherwise be sure of the reliability of our systems while maintaining our preparedness for the various types of emergencies we may confront, and this, of course, is our mission and responsibility to the Nation in the final analysis, one that we take very seriously.

I am pleased to report that those actions for fiscal 1987 are proceeding on schedule and will form the basis for what we look to be an even more effective program during fiscal year 1988.

The fiscal year 1988 budget request for the Office of Energy Emergencies is a 3-percent increase over the 1987 appropriation. This minimal increase is for overhead and administrative costs such as rent, communications, and utilities.

During fiscal year 1988, we will continue, consistent with the Department of Energy's recently released energy security study, to emphasize five major energy preparedness activities. Those focus on strategic petroleum reserve readiness, international cooperative responses with our allies, defense mobilization preparedness, domestic energy emergency preparedness, and emergency management systems and procedures.

This concludes my general statement, and I am prepared to answer, along with my colleagues, any questions you may have.

Senator Johnston. Thank you very much, Mr. Waller. I do have some questions in writing and just a couple of questions.

First, the administration continues to support the goal of a 750 million barrel SPR and to urge other consuming nations to take similar actions.

How are you encouraging other nations to develop their stockpiles?

Mr. WALLER. I think, vigorously and repeatedly, primarily through the International Energy Agency [IEA]. That is the main vehicle we have been using, I would say. But also we have had bilateral contacts with countries in addition to those 21 member countries in the International Energy Agency.

I would pick France as a good example, which does not belong yet. We do not miss an opportunity when we are meeting with the International Energy Agency in Paris to stop by and consult with our counterparts in the French Government and urge them, despite not being members of the agency, to think very seriously about the opportunities that we have at the present time and the need to increase their strategic stocks, and frankly we feel like we have made some progress with them.

They have undertaken a study which should soon be announced that we think is going to very likely include some commitment to having Government stocks.

Senator JOHNSTON. Where are the various partners, both members and France? How much stock do they have?

Mr. WALLER. Members and France, you say?

Senator JOHNSTON. Yes.

Mr. WALLER. The collective accessible stocks held under government control by our allies in the IEA are in the vicinity of 350 million barrels.

Senator JOHNSTON. How much is the United States? How much is France?

Mr. WALLER. None of that is France. I am not sure I have the figures for France today—yes, they have 44 days of net imports, 70 million barrels, that would meet the definition under the IEA of accessible stocks.

Senator JOHNSTON. Japan is a member?

Mr. WALLER. A very active member.

Senator JOHNSTON. They have a big stock?

Mr. WALLER. They have good stocks. The current numbers for Japan are about 352 million barrels or 83 days of net imports, of which about 134 million barrels are owned by the government. They have recently made a commitment to increase their fill rate, too, from 50,000 barrels a day to 60,000 barrels a day.

Senator JOHNSTON. What has the reduction in our fill rate in the administration request—what has that done to your efforts to get others to fill?

Mr. WALLER. The 35,000 figure?

Senator JOHNSTON. Yes.

Mr. WALLER. I think I can only recall one occasion thus far that that has been mentioned to me in the context of the meetings with the IEA. I think there is a general recognition in the IEA that we have been out front on this issue and we have been the ones who have been pushing the other countries and that certainly in terms of gross stocks we are way ahead of any other country.

Obviously, we have greater consumption than any other of the member countries as well, and when you look at the amount of net days of oil import coverage, we are not the highest but we are certainly very close to the top, in any event.

So, I think that the effect thus far has been minimal. It is not to say that there will not be comments about it in the future, but we have done very, very well, a fivefold increase, as the chairman knows, in our strategic stockpile since we began this administration.

Senator JOHNSTON. I may have some questions in writing.

Senator McClure.

COMPARING U.S. STOCKS WITH OTHER COUNTRIES' STOCKS

Senator MCCLURE. To get a little better perspective on the reserve figures, we calculate reserves based upon our strategic petroleum reserve. Other countries calculate their reserves in a much different way, isn't that correct?

Mr. WALLER. I would agree with that statement. However, if you look at the broader definition of stocks that the IEA uses, it would include or could include the commercial stocks that are held here in the United States as well as the strategic petroleum reserve, and that is what is done with respect to many of the other countries.

Senator MCCLURE. But if we look at just figures, France at 70 million, we should not take 70 million barrels French reserves against our 500 million SPR reserves? That would not be an accurate comparison?

Mr. WALLER. An argument that we make frequently, Senator, yes, that the Government-controlled stock is the most accessible stock.

Senator MCCLURE. And indeed if we are going to look at the reserves in the way that they do; that is, reserves, stocks in the hands of whomever holds it, which is the way most other countries look at it, that which is in the pipeline, in refinery stocks, all the ways in which they aggregate the amounts are in reserve and available, then our reserves would be much larger than just those which are in the strategic petroleum reserve?

Mr. WALLER. That is right. Under the definition that the IEA has, we now have in the vicinity of 161 days coverage. The strategic petroleum reserve, as you know, is about 100 of that, and then 61 on top is commercial stocks.

Senator MCCLURE. When you make a comparison of our reserves being near the top, which measurement are you using?

Mr. WALLER. We are near the top under either measurement.

Senator MCCLURE. There is a great difference between 100 days and 161 days.

Mr. WALLER. The 161-day measurement puts us third from the top, behind Denmark and Switzerland, who obviously have small gross amounts but greater days of coverage when you calculate it in the manner in which you have indicated.

ALLOCATING RESOURCES

Senator McClure. Why are you proposing a 14-percent reduction in international, an increase of 14 percent in mobilization, and an increase of 6 percent in management?

Mr. Waller. I think the mobilization increase relates to activities that we have had through NATO and otherwise during the development time period that required—I believe those are manpower figures, percentage changes in FTE's, are they not, Senator?

Senator McClure. It is stated in dollars, $114,000 reduction in emergencies international, $56,000 in mobilization, $7,000 in management.

Mr. Waller. You are correct. It is in dollars. There are also FTE figures that are somewhat equivalent to that. In the mobilization area the increase is due to increased activities that we have, particularly the Interagency Group on National Mobilization that is chaired by the NSC, in which we participate actively.

Senator McClure. Does it reflect in your mind an increased emphasis on mobilization and management as compared to international activities, or does it simply indicate that perhaps the emphasis was on the wrong place in the past?

Mr. Waller. I think it is really just new activities in that area that are demanding more of our time and money.

Senator McClure. But you are using 14 percent less internationally.

Mr. Waller. Conferring with my colleagues here, some of these are frankly relatively close calls as to whether you consider certain dollars or certain individuals to be working with international focus or mobilization focus. They are so closely interrelated that I do not think we ought to read too terribly much into that change.

Senator McClure. That is what I was really trying to get at. Is there a policy shift?

Mr. Waller. I don't believe so.

Senator McClure. It is really an allocation of activities, a judgment as to which column they fall in, but not really a plan to change the activity patterns very greatly?

Mr. Waller. No significant change.

NATIONAL DEFENSE EXECUTIVE RESERVES

Senator McClure. How many national defense executive reservists do you currently have?

Mr. Waller. 125.

Senator McClure. And you are, I think, authorized 155, am I correct?

Mr. Waller. The initial plan, after consultation with industry, I believe contemplated a figure of 250, and frankly there has been discussion that there would be justification for up to in the range of 350 to 400, given the geographic dispersion of the industries and complexities of those industries.

And by industries, as I believe the Senator knows, the national defense executive reserve has components related to the different fuel sources—oil, gas, coal, and electricity. But I believe the current figure—and Mr. Badolato was mentioning it—it was a target of slightly under 200.

Senator McClure. If I look at the justification correctly, I think that you just indicated that you have 125 available now, and you are proposing to go to 250.

Mr. Badolato. Yes, sir.

Senator McClure. And if you only have 125, why do you need to double that number?

Mr. Waller. One of the problems we have had—and I will turn to my colleagues to amplify this—but particularly in the oil sector, on advice of counsel, several of the would-be members of the reserve had declined to join because of concerns about conflict of interest and antitrust. So the numbers are perhaps lower than we would like because of that.

Senator McClure. But if you increased the numbers, you have the same objections, then it doesn't help you much.

Mr. Waller. We are continuing to work to overcome the objections.

Senator McClure. What I am getting at is if you cannot fill your current targets, you don't really enhance yourself by just increasing the targets.

Mr. Waller. Please join me here, Mr. Badolato——

Senator McClure. I am very familiar with the battle we had because I remember back a few years ago when Mr. Hodel was still Secretary of the Department of Energy, we were told they were going to get all of these executive reservists to do all of the jobs that we needed in an emergency. We asked them to run some test cases. They ran some test cases, and suddenly all of the guys in industry ran for cover, for the very reasons that you talked about.

And now you are telling me you are going to solve the problem by increasing the target number. It doesn't make any more people available.

Mr. Waller. I certainly know that in the time period of nearly 1 year that I have been there, the recruitment effort has been increased significantly, and of course——

Senator McClure. As it has been increasingly successful?

Mr. Waller. I believe it has been increasingly successful, with the one exception that we talked about in the oil industry, where there is certainly still a problem.

Senator McClure. That is the major area. That is like saying—well, never mind. If you can't be successful there, then you are not going to be successful no matter how successful you may be other places. That is still the problem, isn't it?

Mr. Waller. The conflict of interest——

Senator McClure. Conflict of interest, antitrust, and are you going to be able to recruit executive reservists under the current restrictions? Do you need some change in statute? Do you need some change in policy to make those people available to us?

Mr. WALLER. I believe that we are on record as having requested that there be some changes.

Senator McCLURE. I would invite you to say it again because just to say that you are going to increase the numbers to 250 does not get us there because you are not more than halfway there and you need to make some other changes rather than changing the numbers in the request.

I would invite you to submit for the record again the specific requests—changes that you believe might be necessary and/or desirable, and I would also like to ask that you at the same time get comments from the Department of Justice with respect to the changes.

Mr. WALLER. We will do so.

[The information follows:]

STATUTE CHANGES NEEDED FOR NATIONAL DEFENSE EXECUTIVE RESERVE

The Office of Energy Emergencies has developed a response on statute changes needed for the national defense executive reserve. The response has been provided to the Office of General Counsel for review and coordination with the Department of Justice. Upon completion of this coordination, it will be made available to the committee.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. Thank you, and thank you, Mr. Chairman.

Senator JOHNSTON. Thank you, Mr. Waller.

There will be some questions which will be submitted for your response.

Mr. WALLER. We will be glad to respond to them.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

International Oil Stocks

Question: Your justification indicates that the Administration continues to support the goal of a 750 million-barrel SPR and to urge other oil consuming nations to take similar actions in developing strategic stockpiles.

How many days worth of imports do each of our major trading partners have on hand?

Answer: As of October 1, 1986, the most recent date for which the International Energy Agency (IEA) has data that will not require further adjustment to any significant degree, the member countries of the Organization for Economic Cooperation and Development (OECD) are considered by the IEA to have the following days of net imports:

Country	Days of Net Imports
Denmark	172
Switzerland	167
USA	161
Sweden	103
Austria	93
Greece	92
Germany	88
Japan	83
Netherlands	66
Italy	65
Belgium	60
Ireland	52
Luxembourg	50
New Zealand	48
France	44
Portugal	34
Spain	24
Turkey	13

This calculation is made by dividing "accessible" stocks by the previous year's daily average of net imports. "Accessible" stocks are total petroleum stocks (government-owned or -controlled stocks as well as commercial stocks) less each country's estimate of its minimum operating requirements.

It should be noted that this concept of "accessible" stocks is to be distinguished from the less stringent requirement, under the Agreement on an International Energy Program, that IEA member countries maintain "emergency reserves" sufficient to sustain consumption for 90 days with no net oil imports. That portion of oil stocks which can be credited toward each participating country's emergency reserve commitment is its total oil stocks* minus those stocks which can be technically determined as being absolutely unavailable in even the most severe emergency. Under the current rule, each participating country is required to subtract 10 percent from its total stocks in measuring its emergency reserves. Measured by that standard, the oil stocks of OECD members generally represent a higher number of days of net imports than represented by this data. Under that standard, only three countries, Ireland, Luxembourg, and Turkey, do not meet their obligation to maintain oil stocks equivalent to 90 days of net imports.

*Total oil stocks would exclude crude oil not yet produced, and crude oil, major products, and unfinished oils held in pipelines; in rail tank cars; in truck tank cars; in seagoing ships' bunkers; in service stations and retail stores; by other consumers; in tankers at sea; and as military stocks.

Strategic Petroleum Reserve Size

Question: Considering the substantially declining domestic petroleum production forecast for the 1990's in the recently released Energy Security

Study and the concurrently large increase in oil imports, is the Administration considering a reserve larger than 750 million barrels at some point in the future and do you believe that additional distribution enhancements for the SPR are warranted?

Answer: After an analysis conducted by the Department last year, the President reaffirmed his commitment to a goal of a 750 million barrel Strategic Petroleum Reserve (SPR). Given current projections of net U.S. oil imports at about 8 to 10 million barrels per day by the mid-1990's, a 750 million barrel SPR appears adequate.

Regarding distribution enhancements, any additional enhancements beyond the proposed 4.5 million barrel per day drawdown and distribution rate are not currently warranted. Such a distribution capability for a 750 million barrel system appears adequate under a range of plausible disruption scenarios.

Energy Security Study

Question: Speaking of the Energy Security Study, when are we apt to see some specific recommendations from the Administration?

Answer: In order to comply with the legislative requirement contained in section 3102D of the Consolidated Omnibus Budget Reconciliation Act of 1986 (Pub. L. No. 99-509), we expect that the President will report to the Congress in the near future.

Oil Import Fee

Question: Do you concur with the negative tone of that report toward the advisability of an oil import fee?

Answer: Yes. Despite the fact that an import fee would stimulate domestic oil production, by raising domestic crude oil prices, the cost to the Nation's economy would be much greater than the benefits obtained by the oil producing industry. The Energy Security report estimates that a $10 per barrel import fee could add about 120,000 jobs in the oil industry, but it could reduce employment in other sectors by 400,000 jobs. Raising energy prices for U.S. consumers above the levels paid in other countries would seriously reduce the Nation's economic growth, increase inflation, and reduce U.S. competitiveness in both foreign and domestic markets.

For these reasons, I concur with the Energy Security report's finding that an oil import fee is inadvisable.

National Defense Executive Reserve

Question: Why do you feel an increase in National Defense Executive Reservists from 155 reservists to 250 is necessary?

Answer: The Department's National Defense Executive Reserve (NDER) currently has 125 members, and DOE is recruiting aggressively to reach its proposed NDER strength of 250. That number does not represent an increase in staffing levels but is based on an NDER plan DOE developed with industry four years ago. It was determined that a 250-member reserve would provide the essential expertise and manpower to augment the small DOE staff during national emergencies.

Question: What functions do the reservists perform?

Answer: During national security emergencies the Executive Reserves will help the Department of Energy meet essential U. S. military and civilian energy needs. Using the authorities of the Defense Production Act, the Reservists will evaluate regional supply and demand; assess the severity of the crisis; recommend priorities for supplying energy requirements and, if necessary, for restoring energy systems; coordinate industry response to meet the crisis; estimate energy industry needs for scarce materials, labor, and transportation; and help justify those requirements in claims to other Federal agencies.

Question: How many do you currently have?

Answer: Current membership is 125.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

Biennial Budget Cycle

Question: Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year.

Would your department favor a biennial budget process? What benefits would your department achieve in a two-year appropriation cycle?

Answer: We are not opposed to a biennial budget, if the process can be developed with sufficient flexibility to allow the Department the ability to make program adjustments when it comes to budget execution. Currently, we start our budget formulation activities approximately one and one-half years in advance of the time the funds are actually obligated. This makes it necessary to make frequent program adjustments through the reprogramming procedures during the year. This problem would be compounded if we were to receive two years of appropriations at the same time, and requires careful study and planning if the biennial budget process is to be most effective. There would be little to be gained if the time saved with a biennial budget were consumed by a large number of time consuming reprogramming actions or budget amendments.

Theoretically, the benefits of two-year appropriations are numerous. Instead of devoting time each year on detailed budget hearings, during the off-year the Department could place more emphasis on progam management and oversight. The Department's programs deal predominately with long-term, high-risk applications of science and engineering. These programs would especially benefit from two-year budgets by being able to know an additional year in advance the amount of funding that would be available.

Question: Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer: The majority of our programs are not simply a repetition of the previous year's program when to comes down to the specific work that is being accomplished. While the progam's objectives may stay essentially the same over a two year period, the technical content changes. However, this should not preclude the use of two-year budgets as long as sufficient safeguards are provided, as indicated in the answer to the previous question, to permit the Department some latitude to make program adjustments for changes that occur in the second year.

Question: What difficulties can you foresee in preparing and submitting a two-year budget to the congress?

Answer: As mentioned previously, the principal problem is to be able to anticipate what is required more than two years in advance. However, if we are allowed to justify our budgets to a lesser level of detail for the second year and are given adequate flexibility to implement the progams in response to the dynamics of the real world, this concern can be overcome.

Also, because of the long-lead times involved, if we were to shift to a two-year cycle, it would be helpful to advise the Department sufficiently in advance to permit the proper planning to be accomplished. For example, if the decision were made this summer to implement two-year budgets, it would be helpful if the effective date would apply to the FY 1990 - FY 1991 budget years. The reason for this is that the Department is currently developing the FY 1989 budgets and, while the process does look at the out-year impacts, there would be a lot more work necessary to ensure a budget quality document for FY 1990. For example, we would have to conduct additional conceptual designs for complex construction projects being proposed for FY 1990 to provide Congress with sufficient information concerning the best options to be pursued and the estimated costs.

Question: Would you expect to realize any budget savings if you could plan your agency budget on a two-year basis? If so, could you estimate how much?

Answer: We would expect some savings in the amount of time required to develop budgets. The time not required to work on budget formulation would permit us to do a more thorough job of managing the resources provided to us. The additional time devoted to budget execution and strategic planning and the more stable funding environment should result in greater efficiencies and fewer costly changes in program scope and direction.

Question: If you oppose the biennial budget concept, please give this subcommittee your reasons why.

Answer: As stated previously, we are in favor of a biennal budget process if the proper safeguards are built into the process to ensure the most effective uses of the resources.

SUBCOMMITTEE RECESS

Senator JOHNSTON. The subcommittee will stand in recess until 2 p.m., tomorrow, when we hear testimony from the Navajo-Hopi Indian Relocation Commission on the Indian Health Center.

[Whereupon, at 3:12 p.m., Wednesday, April 1, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, April 2.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

THURSDAY, APRIL 2, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:20 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Dennis DeConcini presiding.

Present: Senators DeConcini and Reid.

NAVAJO AND HOPI INDIAN RELOCATION COMMISSION

STATEMENT OF HAWLEY ATKINSON, CHAIRMAN

ACCOMPANIED BY:
- **SANDRA L. MASSETTO, COMMISSIONER**
- **CHRISTOPHER J. BAVASI, EXECUTIVE DIRECTOR**
- **MICHAEL J. McALISTER, DIRECTOR, MANAGEMENT**

BUDGET REQUEST

Senator DECONCINI. The subcommittee will come to order.

I apologize for being late to Mr. Atkinson and Ms. Massetto, due to the votes that are still going on.

Today the subcommittee will receive testimony from the Navajo and Hopi Indian Relocation Commission and the Indian Health Service.

The first item on the agenda is the fiscal year 1988 budget request for the Navajo and Hopi Indian Relocation Commission. The fiscal year 1988 budget request is $21,490,000, a decrease of $845,000 below the fiscal year 1987 appropriation to date.

Mr. Atkinson, we welcome you here as the Chairman of this very important Commission, and we are pleased that you are here with Ms. Massetto. We know that you have a full statement, which we will put in the record as if read.

I want to say that the Relocation Commission has been criticized in the past by this Senator and others. It has also received support from some Senators. As to the purpose of the Commission and the manner in which it has conducted its affairs, it certainly has been controversial.

I am here to listen on behalf of the Executive Director and the Commissioners who will present the case, in order to give the Commission an opportunity to respond to the criticism beyond that which it already has done.

PREPARED STATEMENT

I would appreciate receiving the answers to several basic questions which I will submit in writing, in addition to some oral questions here.

[The statement follows:]

STATEMENT OF HAWLEY ATKINSON

EXECUTIVE SUMMARY

Mr. Chairman, we appreciate the opportunity to appear before you today to present the Navajo and Hopi Indian Relocation Commission's proposed fiscal year 1988 budget. It is an important time for the relocation program, and we would like to take this opportunity to speak openly and forthrightly with you at this juncture in the course of implementing the Relocation Act.

We would be less than candid if we did not point out that we have been sitting in the hot seat, attempting to implement a statute which we did not write and have not been able to change. It is a unique task that has faced the Commission and one that has never been popular. The Relocation Commission has become the lightening rod for all of the criticism resulting from Congress' decision to utilize relocation as a solution to the century long Navajo-Hopi dispute.

The reality of the relocation program, however, is that 4,451 families have applied for relocation benefits. Many of the 2,500 families certified for relocation benefits have voluntarily relocated from the Hopi Partitioned Lands. There are some 300 Navajo families still remaining on the Hopi Reservation. We estimate that approximately 60 families residing on the Hopi Partitioned Lands have not applied for relocation benefits. The Federal Government has not been able to keep up with the demand by providing replacement homes to all those eligible families who wish to move. The plain facts are, Mr. Chairman: THE RELOCATION COMMISSION HAS MOVED EVERY RELOCATION FAMILY FOR WHICH THE CONGRESS HAS APPROPRIATED FUNDS.

Those opposed to relocation would have you believe that the vast majority of families affected are adamantly and totally opposed to relocation. That is simply not the truth. The vast majority of the families with whom we work see the opportunity being made available to them to reestablish themselves in any area of their choice. For the younger families, relocation is seen as a benefit.

Unfortunately, the people whose lives are most impacted seem to have been forgotten in all of this. The rumors, innuendo, changes in policy and the persistent failure to keep promises, have caused great anxiety among those who must relocate. Their lives have been continuously kept off balance. At one point, the Congressional Committees suggested that the Commission develop classes of benefits whereby families who were full-time residents would receive one level of benefits and those who had complied with the law and moved voluntarily, while awaiting benefits, would receive a different level of benefits. This approach was finally rejected after a GAO opinion concluded the Commission had no authority to establish such a system. From 1982 through 1985, the Commission was directed to utilize its housing funds for those families physically residing on the Hopi Partitioned Lands. This meant that the majority of certified families who were not residing on the HPL any longer were left out. Many of these families were forced to leave the HPL because of the building freeze and livestock reduction and are living with other family members or in temporary structures in reservation communities. The Commission has only received authorization for approximately 200 moves a year, so, even without Congressional directive, all of these families would not have received benefits.

Currently, the FY 1987 Appropriation Act directed the Commission to review the eligibility of all those who have not yet received benefits and to decertify if necessary. Needless to say, this has caused considerable anguish on the part of those who have relied on the word of the government that they are eligible for relocation benefits. Also, in this year's Appropriation Act, the method for computing housing benefits was changed. The Act directs us to follow the Department of the Interior Solicitor's opinion, even though the Commission relied on the Interior Solicitor's office in formulating our eligibility policy nine years ago. The effect of this change in direction means that individuals who relocate after the passage of the FY 1987 Act will receive a different level of housing benefits through no fault of their own, other than the passage of time and a new Solicitor. We point these events out, Mr. Chairman, only to illustrate the confusion and contradictions which have marked the history of this program.

In early 1986, the Relocation Commission entered into a Memorandum of Understanding with the Bureau of Indian Affairs for the development of the "new lands". The Commission continues to attach great importance to the development of the "new lands". For the traditional families impacted by relocation, these lands offer the potential for grazing, the core of their lifestyle. The accessibility of these lands to Interstate 40 and the transcontinental railroad offer significant economic development opportunities. The Bureau of Indian Affairs and the Commission are working together to insure expeditious development of the lands.

The Commission also has undertaken an extensive survey of those families awaiting relocation to determine their present circumstances. A significant number of the 1,050 families residing off of the Hopi Reservation have expressed a desire to remain living on the existing Navajo Reservation. As of the date of this hearing, the Commission has interviewed approximately 950 of the families who have not yet received benefits and are residing off the HPL. As the results of the survey are analyzed, the Commission may reevaluate its priorities so that those families who are elderly and/or living in deplorable conditions receive benefits first. The Commission will prepare a comprehensive report on its findings as a result of the survey. We would hope that sufficient funds can be made available to expedite the relocation of those families in need.

Relocatees who wish to settle on the Navajo Reservation are placed in a position of competing with current residents for very scarce resources. The Navajo Partitioned Lands, where many families have indicated a desire to move, have particularly been neglected, primarily because of the land dispute. The Commission seeks the cooperation of the Navajo Tribe in providing homesite leases for these families. We urge the Congress to financially support the Commission to fund the construction of housing and to fund projects that will ease the burden of the local communities accepting relocation families.

The most prudent course of action would be to address the needs of those awaiting relocation and fulfill the commitment that has been made to those who have voluntarily agreed to relocate. We oppose any forced relocation. We hope that Congress will appropriate sufficient funds over the next three years to provide for the needs of the relocation families. If there are eligible families who, at the end of voluntary relocation refuse to relocate, we suggest that Congress provide for binding arbitration or land exchange to adjust boundaries within the Former Joint Use Area. We also recommend that Congress provide for settlement of the 1934 Reservation dispute at the same time.

If this course is followed, we believe a just settlement of all outstanding issues between the two Tribes will have become a reality. Any further delay in the completion of the program should be avoided because of the havoc that would be wreaked on the lives of the families involved. The Government must have the political will to see its policy through, to provide benefits to all those who have been certified eligible, and to put an end to this century long controversy. We stand ready, Mr. Chairman, to complete the work that has been entrusted to us by the Congress.

STATEMENT

Mr. Chairman, we appreciate the opportunity to appear before you today to present the Navajo and Hopi Indian Relocation Commission's proposed Fiscal Year 1988 budget. It is an important time for the relocation program and we would like to take this opportunity to speak openly and forthrightly with you at this juncture in the course of implementing the Relocation Act.

The Relocation Commission has moved every relocatee family for which the Congress has appropriated funds. As of the end of February, the Commission has completed relocations for 1,133 families. We have received appropriations totaling $129,625,000. In addition to the acquisition of replacement homes, the Commission has utilized some of these funds to provide infrastructure projects on the Navajo reservation in cooperation with the Indian Health Service. During the last four years, this Committee has appropriated the full $15 million housing authorization level and the Commission has expended that amount in each fiscal year. At this point, there are approximately 1,500 families certified eligible for benefits who have yet to be relocated, of which 1000-1100 are unfunded.

Mr. Chairman, we would hope that you would allow us to give you the benefit of our collective experience in implementing this statute. We offer the following insights in the hope that we can build a consensus with your help. We believe that it is important, at this point in time, to offer our recommendations about the future of the relocation program. The most prudent course of action should be to address the needs of those awaiting relocation and fulfill the commitment that has been made to all those families who are willing to voluntarily relocate. We believe there should be no forced relocation. We believe that Congress should act to appropriate sufficient funds to provide replacement homes for all remaining families who are willing to relocate. If there are eligible families at the end of voluntary relocation who won't relocate, we suggest that the Congress provide for binding arbitration or a land exchange to adjust boundaries within the Former Joint Use Area. We believe Congress must provide for settlement of the 1934 Reservation dispute at the same time. Any solution to that disputed area should not involve relocations. We recommend that Congress terminate the Commission at the end of voluntary relocation.

If this course is followed we believe a just and reasonable settlement of all outstanding issues between these two proud tribes will have become a reality. Reinventing the wheel at this stage would be cruel in the sense that it would postpone resolution of the problem and continue to wreak havoc on the lives of the families involved. We believe that if Congress were to abandon the ten year old course upon which we have embarked and supplant it with some other scheme, that those opposed to any settlement will continue to resist. We will be back in the same position we are today, which is an apparent inability of the government to see its policy through. We think it would be unjust to deny the Hopi Tribe a fair settlement after they have prevailed in the courts and in the halls of Congress and complied with the requirement to remove their tribal families from the area of controversy. There must be a political will to complete this program, to provide benefits to all those who have been certified eligible, and to put an end to this century long controversy.

Relocation Controversy

When we last appeared before you in February 1986, the impending July 7, 1986 deadline overshadowed the program. We applaud the efforts of the Appropriation Committees to clarify the issue of potential evictions on that date. We can tell you that your efforts, along with those of the BIA and the Commission, contributed to a peaceful passing of that deadline and the implementation of a rational and reasonable substitute approach. Your language made clear that families will not have to vacate their homes on the HPL until the Federal Government makes replacement homes available.

We would be less than candid if we did not point out that we have been sitting in the hot seat, attempting to implement a statute which we did not write and have not been able to change. It is a unique task that has faced the Commission and one that has never been popular. The Relocation Commission has become the lightening rod for all of the criticism resulting from Congress' decision to utilize relocation as a solution to this century long dispute.

Mr. Chairman, we are not at liberty to ignore the current law on the real or suspected promise that some new law will be passed which cancels or postpones relocation. That is what has been urged upon us by some parties in this dispute. I will remind the Chairman that since 1975, there has been an annual campaign to repeal this law or considerably alter it. If we let these proposals dictate our actions nothing will get done and we would be violating our oath of office. Congress did not charge the Commission with evaluating the wisdom of its decision in passing Public Law 93-531. We are charged with implementing the law.

The people whose lives are most impacted seem to have been forgotten in all of this. The rumors, innuendo, changes in policy and the persistent failure to keep promises have caused great anxiety among those who must relocate. Their lives have been continuously kept off balance. The exaggerations and mis-statements perpetuated by outside forces such as the Big Mountain Legal Defense/Offense Committee add to the confusion. In various years, funds have been limited to different groups of eligible relocatees resulting in the present backlog of 1,200 families who no longer live on the Joint Use Area who are awaiting benefits. The FY 1987 Appropriations Act directed the Commission to review the eligibility of all those who had not yet received benefits and to decertify if necessary. Needless to say, this has caused considerable anguish on the part of those who have relied on the word of the government that they are eligible for relocation benefits. Also, in this year's Appropriations Act, the method for computing housing benefits was changed after nine years of the program. This means that individuals who relocate after the passage of the FY 1987 Act will receive a different level of housing benefit through no fault of their own, other than the passage of time. We point these events out, Mr. Chairman, only to illustrate the confusion and contradictions which have marked the history of this program.

This program has been under considerable attack from outside forces who support the repeal of this legislation. Considerable resources have been marshalled from all over the country to frustrate the efforts of the Government to complete this program. For the last several years, the Commission has been subject to numerous investigations and audits which have been, in part, a result of misrepresentations from these forces. They have obscured the real issue, which is to complete this program in an expeditious manner in the most humane way possible.

This program has been under attack from its inception. The Navajo Tribe has long sought to persuade the Congress to repeal Public Law 93-531. The two Tribes have essentially waged war in the Congress on an annual basis and the Congressional instructions contained in the appropriations reports and bills reflect this. This agency has been audited, investigated and scrutinized by every imaginable law enforcement agency and government watch dog from the FBI, and the GAO to the Department of the Interior's Inspector General's office. In 1985 alone, Interior's Inspector General conducted two probes of the Commission alone which cost the tax payers considerable sums and resulted in the finding of no impropriety as alleged.

There is no question that the policy of relocation has been controversial from the outset. However, an examination of the facts will show that the vast majority of families have stepped forward to apply for relocation benefits. Since the implementation of this Act, through the end of February 1987, we have made available 1,129 replacement dwellings, and thereby fulfilled our responsibility to those families. There are some 1,200 families who moved pursuant to the Act and are awaiting relocation benefits. There are some 300 families still occupying the Hopi Partitioned Lands, and of those, we estimate 60 have not applied for relocation benefits. The plain fact is that the federal government has not been able to keep up with the demand to provide replacement homes to all those eligible families who wish to move. Those opposed to relocation would have you believe that the vast majority of families affected are adamantly and totally opposed to relocation. That is simply not the truth. The vast majority of the families with whom we work see the opportunity being made available to them to reestablish themselves in any area of their choice.

One major essential fact that is being overlooked in all the suggested Congressional proposals that have been made, is that less than 30% of those families currently continuously domiciled on the land in controversy -- the so called HPL -- are professing they will not move if the government provides replacement housing. Of the estimated 300 HPL heads of household, the Commission estimates 60 have manifested their objections to relocating by not voluntarily coming forward to sign up for relocation benefits.

Completing the Program

It seems evident that the fastest and most equitable way to proceed is to meet the obligation to build replacement homes for all those who are willing to relocate. Then, and only then, will we know the scope and extent of the success of the existing Act in resolving the problem. Altering the law at this stage of the game, after almost half the eligible families have relocated, will not save the U.S. Treasury from the expense of building or acquiring replacement homes, the cost of infrastructure, and the additional cost burden to host communities. Our legal counsel confirms that all those families certified eligible may be entitled to the replacement home benefits even if Congress were now to change the law. Those families have a contract with the federal government and the Constitution prohibits a taking of that right without just compensation.

Continuing to shrink this problem down by allowing this Commission and the BIA to meet the housing needs of these families, is the only equitable approach that can be taken at this time. Many families are living in extremely distressing circumstances while awaiting the receipt of their relocation benefits. It is cruel and inhumane to subject these eligible relocatees to all of the uncertainties caused by the failure to devote the necessary financial resources to accomplish what the United States Government has promised: to build a replacement home for all those families who are eligible for relocation benefits.

The Commission has been concerned for some time with the problems facing those who are awaiting relocation. At last years appropriations hearings, Mr. Yates expressed his concern for their plight. In response to this concern, the Commission has undertaken a survey and has contacted almost all of the families who are awaiting the receipt of relocation benefits. After the results of the survey are analyzed, the Commission may re-evaluate its priorities so that those families who are elderly and/or living in deplorable conditions receive benefits first. The Commission will prepare a comprehensive report on its findings as a result of the survey.

The Nature of the Commission's Program

The relocation law was designed to deal with a limited problem - the acquisition of replacement homes for eligible families who are required to move as a result of the partition of the Joint Use Area. It was never intended to be a permanent agency nor to supplant existing federal agencies that have needed expertise and responsibility. No authorization exists for the Commission to provide relocatee families with continued services after their relocation is completed. The Commission's authorization provided funds for housing, bonus payments, operations of the Commission, and a discretionary fund (added in 1980) which was hampered by a requirement that any programs funded have a 70% contribution from other sources. Appropriations for that fund have never even approached its authorized level. Congress clearly intended relocatees to be eligible for the normal governmental services that would be available to them as citizens and as Native Americans. The Commission was never intended to supplant these existing programs.

It is certainly not news to you, Mr. Chairman, that the problems facing Indian country are considerable. The lack of job opportunities on all reservations is epidemic. The available educational systems have simply not been adequate to prepare Indian people to meet the challenges of twentieth century life. Many of the families subject to relocation have little facility in the main stream of society. It was not the decision of the Commission to relocate these people; it was the decision of Congress and the courts. The Commission has done the best job possible within available resources to secure decent, safe and sanitary replacement dwellings for the relocatees. The Commission has also established, although not specifically directed to do so, both a pre- and post-move counseling component.

There are indeed other agencies responsible for and chartered by the Congress to meet those other needs. This single purpose, temporary agency must comply with the law. We have and will continue to call on other agencies of government as well as the Navajo and Hopi tribal governments to assist. Throughout the course of this program, the Commission has requested assistance from the Bureau of Indian Affairs, Indian Health Service, the Economic Development Administration, the Bureau of Land Management, U.S. Geological Survey, the Environmental Protection Agency, and the Department of Housing and Urban Development.

Congressional Directives

If the truth be known, Congress has had considerable say so on the day to day operations of this Commission. It is important to remember that every year's appropriations bill has provided different directions to the Commission concerning the implementation of the program. This has resulted in considerable confusion to those affected by the program. At one point, the committees suggested that the Commission develop classes of benefits whereby families that were full-time residents would receive one level of benefits and those who had complied with the law and moved voluntarily while awaiting benefits would receive a different level of benefits. This approach was finally rejected after a GAO opinion that concluded the Commission had no authority to establish such a system. From 1982 through 1985, the Commission was directed to utilize its housing funds for those families physically residing on the HPL. This meant that the majority of certified families who were not residing on the HPL any longer were left out. Many of these families were forced to leave the HPL because of the building freeze and livestock reduction and are living with other family members or in temporary structures in reservation communities. The Commission has only received authorization for approximately 200 moves a year, so even without Congressional directive, all of these families would not have received benefits. It is not fair, therefore, to criticize the Commission for not providing benefits to these families since we were complying with Congressional directives to prioritize the HPL residents. (Appendix)

Education and Off-Reservation housing

During the years of legal actions commencing in 1958, through Congressional deliberations, and the final Congressional deliberations of 1974 culminating in Public Law 93-531, it was taken for granted by the parties involved that the United States Government had fulfilled its educational obligations to the members of the Navajo Tribe. The Congress had been constantly informed on an annual basis that the appropriations made by Congress for Indian education had been wisely used. This was not the case for those Navajos residing in the Former Joint Use Area. This was a remote area and proper educational opportunities had either been denied to Navajo tribal members or performed in such a haphazard manner as to leave a high percentage of those Navajos residing on the Former Joint Use Area uneducated - not only being unable to read and write english, but not having a basic understanding of English. This horrendous omission was brought to light in a very gradual manner and culminated in Navajo relocatees being relocated off-reservation into a society where they had difficulty coping, and in some instances, became disastrous.

It must be stressed that the Commission was never given the authority to tell people where they must relocate. As a result, relocatees have traditionally selected their own relocation sites, both on and off the reservation. The building of a home on the reservation is substantially under the control of the Navajo Tribe which must issue homesite leases to relocatees for the sites they have chosen. Often the communities to which the relocatees wish to move have not been receptive or willing to receive these families. Considerable dissension has existed in some communities and relocatees have been denied homesite leases because of local opposition. Because of this, in the early years of the program, the majority of the families who volunteered to relocate chose off-reservation sites for their replacement dwellings.

The choice of off-reservation sites created some substantial problems for a small percentage of those who chose that option. As noted before, many families were not really prepared for the responsibility of off-reservation life. Having lived on the reservation, where there were no property taxes and no potential to mortgage homes, their situation had changed dramatically. The Commission provided counseling to those families about the responsibilities of home ownership and the various ramifications of those moves. It also provided post-move counseling and referred those who moved off-reservation to local service providing agencies. In a limited number of cases, those services did not serve to prevent financial problems. It must be remembered that the Commission retains no interest in the relocation home once it has been provided. In off-reservation communities, the relocatee takes title to his home in fee. Nothing in the Commission's legislation provides for a continuing interest in the relocation home. Therefore, relocatee families are free to exercise their own judgement about their home.

The Relocation Commission became aware of the lack of education among relocatees and began to explore solutions to the problems as early as 1977. It had become clear to the Commission that unscrupulous realtors had taken advantage of a few relocatee families. The Commission sought input from the Navajo Tribe about what might be done to address the apparent problems. The Tribe suggested that the Commission take off-reservation land into trust so that it could not be used as collateral. This was clearly not authorized by the Commission's legislation. Discussions were held concerning the inclusion of a provision in the deed which restricted the sale of the relocation home without the consent of the Commission. Legal review determined that such a restriction on the alienation of privately held, non-trust property was not possible. It was also, needless to say, paternalistic to assume that relocatees could not be responsible for their own decisions. The Commission finally concluded that it could include a limited deed provision stating that no encumbrance could be placed on the house and no sale could be made until the relocatee had consulted with the Commission. This was designed to trigger a counseling mechanism whereby Commission staff could review the terms of any potential sale or mortgage and explain the provisions to the relocatees. Commission procedures provide that the relocatees should be advised to seek legal help with complicated transactions. This deed provision allows the Commission to assist the relocatees without preventing them from selling their homes. Since instituting this provision, the Commission has been able to assist a number of relocatees who have moved off-reservation.

It must be stressed that the majority of relocatees have adjusted to their new communities. Many of the families had already left the reservation to seek employment and were already acculturated to off-reservation life. They chose relocation sites in the communities in which they were already living and have been successful in their adaptation. The availability of relocation housing has been a tremendous benefit to those younger families who have sought educational and employment opportunities and now have a new home available to them to assist in their adaptation. It should not be viewed as a program that creates hardship and suffering, but rather a program that provides opportunity for those affected to make their way in the world.

In 1983, the Navajo Tribe selected approximately 400,000 acres of land to be used for relocation purposes. This land has now been acquired and includes some of the best grazing land in Northern Arizona. BIA and the Commission are working together, pursuant to congressional directive, to relocate families to these new lands if they so choose. Grazing permits will be available to the majority of those families currently residing on the HPL who have maintained a traditional lifestyle surrounding livestock. This new land offers a chance for those who wish to maintain a grazing, rural lifestyle to do so and to live with members of their extended families. The first acre of land was not acquired until 1985, so this option has not been available to relocatees until now. We are extremely optimistic about the development of the new lands and the availability of grazing for these traditional families.

Joint Use Area Population

During the many years of legal disputes and Congressional deliberations culminating in Public Law 93-531, the number of families to be relocated was estimated to be 1,000. This is borne out by the authorization for appropriations contained in Public Law 93-531 for housing benefits and bonus payments. The Commission received over 4,400 requests for benefits from Navajo and Hopi families who stated they were residents of the Former Joint Use Area. Congress used the term "residence" in Public Law 93-531 which was interpreted as "legal residence" by the first legal counsel employed by the Relocation Commission. This was further confirmed by the Phoenix Office of the Field Solicitor of the Department of the Interior, and officially confirmed by the arm of Congress known as the General Accounting Office. This increased the basic number of eligible families from 1,000 to over 2,500.

Eligibility

There have been, over the course of the Commission's existence, a number of questions with regard to the definition of eligibility which the Commission has established. The Commission's interpretation of Public Law 93-531's language is consistent with the law and its intent.

The law provides that a person is entitled to relocation benefits if they can establish that they are residents of land partitioned to a tribe of which they are not members. The Commission explored the legislative history of the Act and concluded that the term "residency" was intended to have its legal effect. The three original Commissioners were divided on the meaning of "residence" as regards eligibility for relocation benefits. One Commissioner interpreted "residency" to mean physical occupation. The other two Commissioners interpreted "residence" to mean legal residence. This means that actual, full-time physical residence was not a requirement to receive benefits. Individuals could maintain their legal residence on the partitioned lands while being away for purposes such as employment, education or military service. The Commission, in formulating its regulations, considered the actual situation of residents on the JUA. There is little or no employment in the area and a building freeze has been in effect for almost 25 years. That meant that families had to seek shelter in other parts of the reservation while still maintaining regular contacts with the JUA. These people are considered by the Commission to be "legal" residents of the partitioned lands. Because of the two interpretations, physical or legal residence, complete indepth definitions of residency were thoroughly explored. The first legal counsel for the Commission agreed with the majority of the Commissioners as regards the definition of residency. Further definition was requested from the Phoenix office of the Field Solicitor and the General Accounting Office. Those three entities supported the Commission's legal counsel in accepting the legal definition of residency.

The term "temporarily away" was coined in the early years of the relocation program. That term simply means that individuals need not have been full-time physical residents of the partitioned land to qualify for benefits. This reflects the realities of the Joint Use Area and the Congressional intent of the law which was to provide a "through and generous" relocation program.

There are individuals who were born and raised in the partitioned area but who may have established a dwelling elsewhere. These people have relatives in the partitioned area and consider the partitioned area to be their home and "permanent" residence. It is important to consider the realities of life in the JUA. Education and job training were not available in the area. Job training through various government programs required people to be away. Sometimes jobs are available on the reservation, but more often the only hope of securing employments in the communities bordering the reservation. Many of these people return to their family homes on a regular basis to care for livestock and maintain their residence. Navajo and Hopi people traditionally maintain contact with their home community and consider themselves to be members of that community notwithstanding the fact that they are temporarily away.

The Commission, in determining eligibility criteria, weighed the above considerations together with Congressional intent. The eligibility criteria were sent to GAO for its review. GAO found that the Commission could properly conclude that Congress, by using the term "reside" instead of "actually occupied" in the legislation chose to permit the adoption of more liberal standards. In the opinion of GAO, a person who can prove they "reside" in the JUA, although temporarily away, will qualify for benefits. Individuals who could prove residence in 1974 and who subsequently moved from the area could be eligible for relocation benefits. There are a large number of families who fall into this category as a result of the longstanding building freeze on the JUA.

The GAO considered the situation of residents whose unique culture and traditionally strong attachment to their homeland caused them to still consider the Joint Use Area their home, even though they might have moved away. In the GAO's opinion, this portion encompasses persons who have left the partitioned area for economic reason but who, in many cases, return on weekends and holidays to visit their families and tend their orchards, gardens and livestock. If such persons can be regarded as heads of households who retained a property interest in the house and its improvements, or in livestock, and who return regularly to care for their property, GAO believed that they may be regarded as "residing" in the area.

The Commission's regulations have been revised throughout the program but have never departed from the criteria of legal residence as a major factor in determining eligibility. These regulations were clearly spelled out in the Report and Plan as accepted by Congress in 1981. The Commission has reported on its eligibility criteria and the number of families who have been determined eligible on a continuous basis. It has never been a secret and the Commission has sought review of its definitions of eligibility on a continuing basis. If its interpretation was out of line with Congressional intent, Congress has had many opportunities to review the situation and direct changes. The fact remains that the original estimate of the number of families residing on the partitioned land that was provided to Congress was not accurate.

In 1973, the BIA estimated between 800 and 1,000 families "residing" in that area. The Commission, consistent with Congressional directive, conducted a census and reported on its results in the Report and Plan. As of December 1980, the Commission had enumerated 2,801 Navajo households and 31 Hopi households who might be subject to relocation. Congress was on notice that there were considerably more families subject to relocation than was thought in 1973 and 1974.

The Commission has certified 2,637 families for relocation benefits - close to its estimates submitted to Congress in 1981. The debate about the program's eligibility criteria should be at an end. The Commission has acted on all applications for benefits and no further applications are being accepted. There are many families who have been awaiting benefits based on a good faith commitment from the government that they will receive those benefits. The focus of Congressional efforts should be to meet that commitment and provide relocation benefits to those families.

On-Reservation Infrastructure

The Commission is often criticized for its alleged failure to provide infrastructure to on-reservation relocatees. The Commission has and will continue to provide running water and electricity to relocation homes. The Commission's group move project in the Hardrock area has frequently been cited as an example of the Commission's failure to provide services. The families participating in the move were advised that it would take time for the Commission and IHS to construct community water systems in these areas. IHS was responsible for actual construction and the Commission provided matching funds. All of the families who moved chose to do so before these facilities were completed and every family knew that this was the situation. The water projects in the Hardrock chapter are nearing completion and relocatee families will have water and electricity within a short time. It is patently unfair to criticize the Commission for informed decisions made by the relocatees and for the lack of adequate funding to complete these projects in a more expeditious manner. The lack of adequate facilities on reservations through out the country is a problem that Congress has been unable to resolve except through additional appropriations made on a year to year basis. Adequate funding has never been available to bring reservation communities into conformance with services available in mainstream areas. The Commission has provided considerable benefit to some areas on the reservation by constructing water projects which have benefited non-relocatee residents.

Voluntary Relocation Program

It is important for those who are concerned about this program to realize that the vast majority of people affected have been law-abiding citizens and have stepped forward to voluntarily relocate. The misrepresentations that have run rampant in the last few years have characterized those residents of the HPL as being torn from their homes by force with most families vigorously resisting relocation. The facts present a considerably different picture of the situation. The Commission has received 4,451 applications since it began accepting applications. These are from families who have stepped forward understanding the realities of the partitioning of the Joint Use Area. There are a few families that have expressed resistance to relocating from the JUA.

At the present time, the Commission estimates that there are approximately 300 families still residing on the HPL. Of these families, approximately 60 have not signed up for relocation benefits. The other 240 families have been certified for benefits and most will be relocated within the next two years. At that point, the task of relocating all eligible residents of the HPL so that it can be turned over to the Hopi Tribe will be substantially completed. As to the families who have not stepped forward to voluntarily relocate, the Commission intends to contact those families and request that they choose a relocation site. Congress has expressed its intent that these families not be removed from the HPL until a replacement home is provided for them. Once the families who have voluntarily agreed to relocate have moved, Congress may wish to examine once again the situation of the few remaining families. Perhaps these families will remain on the land under Hopi jurisdiction. The ultimate decision will be in the hands of Congress. The Commission was not given any authority over families who do not wish to relocate.

The Commission has, since its inception, been a lightning rod for all the criticism over the relocation program. The Commission was created by Congress to carry out an extremely controversial program. It is not the place of the Commission to criticize or evaluate Congress' decision to partition the land and require families to move. That decision was made and the die was cast. Most of the families affected have stepped forward and agreed to move and take advantage of the opportunity presented by receipt of relocation benefits. 1,133 families have received benefits and by the time the program is completed, approximately 2,600 families will have received benefits. The program has been implemented consistent with congressional directive and the Commission has always strived to do the best possible job in difficult circumstances.

The Commission has received appropriations totaling $129 million to date. The administration of the agency has been extremely efficient. Based on the Commission's 1987 budget estimates, our administrative overhead is 4.9% using the accepted governmental method of computation of administrative overhead. The general overhead throughout the government is 10-13%. The Commission has expended all funds appropriated to date with remarkably low overhead.

Tribal Involvement

In the Commission's early years, the three Commissioners attended chapter meetings in all the affected chapters on a regular basis. It was quite a shock to realize that most of those who would be affected by the Act, including most of the chapter officials, were not aware of the law and its impacts. The Commissioners attempted to explain the law and answer the questions of the JUA residents. The chapters requested the Commission to discontinue attendance at the meetings unless they were invited. The Commission respected this request and attends chapter meetings when invited. The Commission also established a series of planning committees throughout the JUA, which met on a regular basis during the first few years of the relocation program. These planning committees were quite effective, but were unfortunately disbanded by chapter officials when the 9th Circuit remanded the partition line decision to the District Court. The Commission had also established five field offices throughout the JUA. These were contact points for relocatees and were staffed by Navajo-speaking personnel. These field offices were gradually shut down because of the hostility of chapter officials and the lack of cooperation from tribal officials in Window Rock.

Little effort was made to prepare for the resettlement of relocatees in other areas of the reservation. In many cases, the on-reservation communities expressed open hostility to the relocatee families who wished to resettle in their areas. Considerable conflict arose in many areas. This was a tragic situation for those Navajos displaced as a result of relocation. They were made to feel that they really had no place to go. The federal agencies primarily responsible for government programs on Indian reservations made no plans for relocatees and were not prepared to provide needed services. Primarily, as a result of Commission efforts, a number of electricity and water projects were initiated in host communities on the reservation. With the help of the Interior Appropriations Committees, these projects are nearing completion and will provide services to both relocatee and non-relocatee families.

We want to stress that regardless of the position of the Navajo Tribe on relocation, the Commission has continued to consult and work with the relocatees at every possible opportunity. We believe that it is important to understand the role of the Tribe in understanding the history of this relocation effort. The Commission has always attempted to take whatever actions were best for the relocatees, not for the Tribal governments, for it is the relocatees who are our sole concern.

Statutory Deadline

In late 1984 and early 1985 the opponents of relocation seized on an argument that because the 250,000 acres of BLM land had not been acquired then relocation should stop because families forced to relocate had no place to move. The statutory provisions mandating relocation and allowing for acquisition of some additional lands were never directly tied together. The opponents of relocation would have one believe that relocation did not have to occur until the lands were acquired and the "infrastructure" (meaning the roads, streets, schools, and sanitation facilities) were in place. The statute is not susceptible to that interpretation because it is quite clear that the statutory deadline established by the Congress required families to relocate whether or not these acquired lands were fully acquired and the infrastructure in place. Indeed some 1,215 families who were found eligible for benefits do not presently physically reside on the HPL. Families can select replacement homes anywhere and are not required to relocate to these so called "new lands".

There were a number of myths which were propagated by opponents of relocation relative to the so called "deadline". One of the most inflammatory was that the federal government was prepared to use force if necessary to physically evict families still occupying the HPL as of July 7, 1986 - the deadline. The use of force was never contemplated by the Commission nor any other federal agency.

In 1984, the Commission began in earnest to discuss with Congressional and Administrative leaders the deadline dilemma. It was quite evident that the annual appropriation levels were insufficient to construct or acquire replacement homes for all the families still awaiting relocation. The Commission employed its Washington Counsel to explore possibilities which would resolve the deadline problem.

In early 1985, the Washington Counsel was authorized by the Chairman of the Commission to explore a concept called "cash equivalency". This concept centers around the notion that the eligible families are entitled to a certain dollar benefit level. Those benefits could not be provided in the form of a new home because of the lack of time needed to acquire or build them. The question was raised whether the law still could be satisfied by the deadline if those known quantitative benefits could be translated into a dollar sum to be paid as fulfillment of the government's obligation. This discussion was undertaken in the context of the dilemma which the Executive Branch faced relative to doing something by the statutory deadline. Members of the House and Senate and Executive Branch examined this option for a number of months and concluded that, under the circumstances, it was not plausible at that time.

The Congress did cooperate, however, by assisting the Commission in formulating a response to the Congressionally mandated deadline. House and Senate Appropriation conferees agreed to increase the funding level during FY '86 in order to build or acquire replacement homes for all those families still occupying the HPL. It authorized the Bureau of Indian Affairs to assist the Relocation Commission in the building of homes on the "new lands" and appropriated some $22 million dollars for that effort in addition to the $22 million dollars appropriated to the Relocation Commission to acquire and build homes on other sites selected by the relocatees. For the first time then, Congress made available sufficient funds to alleviate the most pressing problem which was procuring replacement housing for families still occupying the area of dispute.

As the July 1986 deadline approached, the Commission took extraordinary efforts to lower its visibility and reassure relocatees that force would not be used under any circumstances. The Commissioners worked effectively with the Congress to develop statutory language making clear that families would not be evicted if replacement homes were not available. It is to the credit of all concerned that the responsible actions of the Commission insured a peaceful passing of the statutory deadline. Behind the scenes, the Commission and the Bureau of Indian Affairs worked effectively to implement the FY "87 Interior Appropriation language accelerating the building of homes on the "new land" and elsewhere. The Commission's actions resulted in a satisfactory resolution of the deadline problems.

The Commissioners took an unprecedented step in early 1986, by agreeing to a Memorandum of Understanding with the Bureau of Indian Affairs which would accelerate the participation of the BIA in building homes on the "new lands" and clearing the way for a division of the labor between the two agencies. The Commission is giving total support to the efforts of the BIA in their preparation and building of homes on the "new lands".

Negotiations

The Commission has never taken a position on the land dispute. We have been charged with interpreting and executing the law. The Commission has always held out hope for a negotiated settlement between the two tribes. The original 1974 legislation envisioned a serious effort at negotiation as the primary solution to the problem. Actual partition of the JUA and relocation of families residing on land partitioned to another tribe was only to become necessary if arbitration failed to produce a solution. The federal mediator worked tirelessly in efforts to find a compromise upon which the two tribes could agree. He was not successful.

Once relocation began, the Commission continued to pursue the possibility of negotiations between the two tribes. The Commission's efforts were often behind the scenes because of the highly political nature of this issue to both tribal governments. A number of land exchange proposals were developed by both tribes and by members of the Commission. In 1981 and 1982, the Commission sponsored a series of meetings between the two tribes to discuss land exchange and other issues related to the settlement of the dispute. The Commission has always believed that any negotiated settlement should include an agreement regarding the ownership of land in the area known as the 1934 Reservation. This dispute has been under litigation for a considerable length of time and could potentially result in further relocations. The Commission has always hoped for a negotiated settlement in this disputed area. The series of meetings sponsored by the Commission led to no agreement in either the 1882 Joint Use Area or the 1934 Reservation.

We are not the only ones who have tried to encourage a negotiated settlement to the dispute. In 1984, the President appointed Judge Clark as his special emissary to both tribes to attempt to reach some sort of agreement. Judge Clark and his assistant, Richard Morris, met with representatives of both tribes over a period of eight months. After a good faith effort, their mission was unsuccessful. Mr. Morris stated in his final report:

> "It is regretted that both Tribes do not embrace negotiation as a means of solving their complex differences. After a century of standing their ground on fundamental issues, they continue to look for others to provide solutions. In our view, negotiated resolutions on the broad range of differences confronting the Tribes would lead to far better results than would resolutions imposed by the courts or by the Congress."

This is clearly an issue, Mr. Chairman, about which both tribes feel very strongly. The Hopi Tribe has always maintained that it would not negotiate away the HPL - that they would never consider giving up that land. They have been willing to consider land exchanges within the Joint Use Area. They were not, however, willing to take land outside the 1882 Reservation in exchange for land within the HPL. The Navajo Tribe has been understandably concerned about reducing the number of relocations of their members. There has not yet been any middle ground developed upon which agreement could be reached. The Commission has made every possible effort to assist both tribes in reaching a compromise and has always maintained a neutral position. No agreement has yet been possible.

Early Efforts and Planning

When viewing the activities of the Commission from its inception in 1974 to the present, one should keep in mind that the Congress created a brand new agency on December 22, 1974. The Commission was required to immediately perform certain tasks by certain dates, while getting organized. The criticisms leveled at the Commission, such as the failure to adequately plan, should be viewed in perspective. The law instructed that families should begin to relocate voluntarily "as promptly as practicable following its [the Commissions] first meeting." 25USC 640d-12d-12 (c)(s). One of the first priorities of the Commission was to try and bring order to the process of implementing the law. The first meeting was held in July 1975, seven months after the law was enacted and the date when the Secretary of the Interior formally launched this "independent entity." Developing a plan in consultation with the tribes, organizing the agency, recruiting personnel, identifying sites to which households could relocate, securing necessary congressional appropriations, determining the rules and regulations of operation, identifying the potential relocatees, judging relocatee eligibility and a hundred other essential tasks had to be done simultaneously. This had to be done without the cooperation of many of those effected, and it had to be done by employees without prior expertise in such matters. There was no other such agency in the Government from which to borrow expertise. Other agencies of the Government wanted nothing to do with this controversial program. The rules of the game have constantly changed through Congressional directive. In 1980, the law was significantly amended, and every year since the program's inception, the Appropriation Committees have instructed changes in the way in which the program is implemented. The very essence of planning is rooted in moving from something known to revealing and resolving the unknown. Progress was substantially slowed because those building blocks changed with the variances of the political process.

The Commission has engaged in planning efforts since its inception. Congress directed the Commission to prepare a Report and Plan within twenty-four months of the time the final partition line was approved by the Court. There were a number of activities that were on-going related to the Report and Plan as required by Congress. All property on the HPL was being appraised. The Commission developed over 700 appraisal records which involved valuations for structures that had no comparable estimates anywhere. The Commission was also directed to list all the households that were residents of land partitioned to the other tribe. This necessitated the establishment of field offices throughout the JUA and the contacting of thousands of people. Early in this process, it became clear that the Commission could not determine eligibility for all the families in the short time in which it was required to prepare the list. The list was published in the Report and Plan with the caveat that inclusion was not a determination of eligibility. The statute also required the Commission to develop a plan containing a number of elements. At the same time, the Commission was directed to proceed with voluntary relocations as soon as possible after its first meeting (July, 1975). All of these activities were on-going and the Commission only had a small core staff. Financial and other "housekeeping" services were performed by the Department of Interior which created enumerable problems as this Committee is well aware. These facts are not offered by way of excuse, but rather explanation of the situation facing the Commission in its early years.

As the enumeration, appraisals and voluntary relocations were proceeding, the Commission was exploring the various aspects of the Plan as required by Congress. The Commission called on a wide variety of sources to solicit information. These included other federal agencies, both tribes, experts in Navajo and Hopi culture, state and local agencies, and most importantly, the relocatees themselves. Meetings were held throughout the JUA to solicit input of those people who were affected by relocation. The document submitted to Congress reflects the input of all of these sources.

It also reflects acknowledgement that the program was steadily evolving and changing. In 1980, the law was amended and significant changes were made. The Navajo Tribe was authorized to select and acquire 250,000 acres of BLM land solely for the use of the relocatees. The 1974 law had authorized the Navajo Tribe to purchase land to be taken into trust. In response to Commission concern about the lack of available homesites on the existing Navajo Reservation and the unavailability of grazing privileges for the more traditional families on the HPL, Congress determined that it should make available federal land without cost to the Navajo Tribe, for relocation purposes. The amendments also included a Discretionary Fund designed to address the needs of the Commission, the tribes, and the relocatees for projects related to relocation. The bill also transferred the administrative management to the Commission itself. The Commission was authorized to hire independent legal counsel. These changes occurred in the middle of the development of the Report and Plan and clearly reflect Congress' acknowledgement that the program was changing and developing.

The Commission has managed the relocation program consistent with varying Congressional directives. The Commission was presented with a law which established a framework for the relocation program. Assumptions made by Congress in passing the legislation turned out to be different in actuality. For example, Congress assumed that there were 800 - 1,000 families that would be eventually relocated. As it turned out, there are actually some 2,600 families eligible for benefits. This meant that the amount of time necessary to complete the program was underestimated. Appropriations levels limited the number of moves that could be made in any given year. The need for additional land for relocation purposes was not foreseen by the original legislation. The Commission has managed a program that needed to be flexible and to learn as it was developing. We stand by our record, Mr. Chairman.

New Lands

The land acquisition was envisioned by Congress to be the "single most important factor in easing relocation." (Conference Report on the 1980 Amendments, House Report 96-1094) The 1974 Act authorized the Navajo Tribe to purchase 150,000 acres, to be taken into trust as part of the reservation. The Tribe in good faith selected land in an area known as Pariah Plateau in 1976. This selection raised a considerable amount of controversy from non-Indians, and when the law was amended in 1980, the Tribe's area of selection was restricted to eliminate Pariah Plateau. Needless to say, this frustrated the Tribe in a situation in which they had placed considerable reliance on the good faith of the government. Under the new law, the Tribe received a greater potential benefit because they were authorized to select 250,000 acres of BLM-land within 18 miles of the existing reservation to be taken into trust, free of charge, as part of the reservation. The Tribe was authorized to acquire 150,000 acres of private land also to be taken into trust. 400,000 acres of land could now be acquired and made available for relocation purposes. The land was to be used solely for the benefit of Navajo families awaiting relocation. The Commission strongly supported these provisions as a means of addressing the limited number of homesite leases available on the reservation and the lack of available grazing privileges on the existing reservation for those traditional families whose lifestyle revolved around livestock.

Paragon Acquisition

As soon as the legislation was passed, the Commission began to work on land acquisition. There was considerable concern that the new selections made would be honored by the government. In 1981, the Tribe identified 35,000 acres of BLM land in New Mexico in an area known as the Paragon Resources Ranch. (The Tribe's selection authority was limited to 35,000 acres in New Mexico by the 1980 Amendments). The Navajos selected Paragon Ranch, not because of its grazing capabilities, but because of the coal deposits beneath the surface. Under the Mineral Leasing Act, the Federal Government was entitled to a royalty interest estimated to be in excess of a billion dollars. The Commission expressed absolute support for this selection. It was known that there were considerable coal resources located under that land which could be utilized for the benefit of relocatees. The Commission requested that the Department of Interior withdraw the selected land so that it would be protected for the relocatees. Interior denied that request. The record of the Paragon selection clearly shows that the Commission marched hand-in-hand with the Tribe. At the same time, the Commission, which has the responsibility of administering the land until relocation is complete, secured a study of the coal resources and began to explore methods for insuring that the royalties from Paragon coal would be protected for the relocatees.

It soon became clear that acquisition of Paragon would not be an easy matter. The State of New Mexico had an interest in any royalties derived from coal development on BLM land. The transfer of that land to the Navajo Tribe could seriously jeopardize their interest. Environmentalists were concerned about mining in areas that they argued should be protected as wilderness. There were a number of coal companies that held preferential right lease applications in the Paragon Ranch area. They were concerned about protecting their rights to develop the existing coal. Public Service Company of New Mexico had plans to build a coal- fired generating station in that area. Acknowledging these competing interests, the Commission took the lead in looking at ways to accommodate the interests of all parties while protecting the rights of the relocatees. The Commission has been the only real spokesperson for the relocatees' interests.

The Commission, in May, 1982, retained Washington Counsel for the purpose of insuring the acquisition of the Paragon Ranch as well as pushing the total land acquisition program forward in order to realize all acquisitions of land prior to the statutory deadline of July 1986. The Department of the Interior originally objected to an interpretation that would lead to the subsurface mineral resources being transferred to the Navajos pursuant to the Act.

There were those in the Department that argued the statute only authorized the surface transfer and not the subsurface. After more than a year and a half of legal arguments and political cajoling it became quite clear that the Department would not acquiesce. Members of the Congress were aware of the situation and stepped in. Congress took action which prevented the Department of the Interior from denying the subsurface minerals to the Navajos. The San Juan Wilderness Act, Public Law 98-603, contained an amendment which made clear that transfers pursuant to the Relocation Law, gave all right title and interest that the federal government possessed. This legislatively resolved the conflict.

The Tribe requested further funding assistance to finalize their selections. The Commission provided the requested assistance and supported the Tribe on the various amendments to the selections that have occurred. The Navajos have been attempting to negotiate a multi-faceted business proposal to build a coal-fired power plant utilizing the coal underlying the Paragon Ranch. That transaction is due to be concluded during the current calendar year. It is the Commission's understanding that the first 10,178 acres of Paragon were finally acquired in January, 1987. The remaining transfers should occur in an expeditious manner. The Commission has been a key player in this acquisition and will continue to support and protect the interests of the relocatees in the benefits to be derived from the Paragon Ranch.

Arizona Land Acquisition

The process envisioned by Congress for land selection turned out to be quite lengthy and cumbersome. The land selected and acquired had to be within 18 miles of an existing reservation boundary. Congress originally contemplated acquisition of BLM land within that 18 mile perimeter. It became clear as the Tribe, with assistance from the Commission, began to study possible selections, that there was not 215,000 acres of BLM land in the State of Arizona, within 18 miles of the reservation boundaries. The Commission reported on this situation to Congress in its first Land Selection Report in 1982. The lack of available BLM land meant that any land acquired would have to be private land, exchanged for BLM land, within the states of Arizona and New Mexico.

The Commission funded a detailed study of available land undertaken by the Navajo Tribe. This study was designed to look at the grazing potential of the land, the geology, the hydrology, the archaeological significance of these areas and primarily the lands' suitability for use by relocatees for resettlement purposes. This study, coordinated by the Tribe's Office of Navajo Land Development, was quite comprehensive. It pointed out the unavailability of BLM land in the area. This effort culminated in land selections made by Chairman MacDonald's administration in July, 1983. The Tribe's selections were checkerboarded in areas surrounding the off-reservation communities of Holbrook and Winslow. Considerable opposition was voiced by members of those communities who held grazing rights in those areas. Several public meetings were held in which community residents expressed strong opposition to the Tribe's selection. Most importantly, these selections were completely unsuitable for relocation purposes and would have resulted in relocatees being scattered on small parcels of land with non-Indian property surrounding them. It appeared that these selections were not made for the benefit of the relocatees, but rather to raise opposition to relocation and perhaps achieve a repeal of the law.

The Commission strongly believed in the importance of the acquisition of suitable land for relocation purposes. This meant that the land had to provide opportunities for grazing so that the more traditional families could replicate their JUA lifestyle. The land also should provide meaningful opportunities for economic development and access to growth centers where jobs might be available. The Commission began working with the new Navajo Tribal administration to review the first selections and explore alternatives. The Commission's vigorous advocacy on behalf of the relocatees resulted in the Tribe's repudiation of the first selections and the selection, in June, 1983, of the five ranches which form the New Lands. These lands were all working ranches and constitute some of the best grazing land in northern Arizona.

Once the selections were made, however, it became clear that considerable efforts would be required to insure acquisition. All of these ranches were privately owned. This meant that each ranch owner had to be willing to select BLM land elsewhere in Arizona and New Mexico to exchange for his selected land. Of course, this assumed that these owners wished to engage in this process. As soon as the selections were made, the Commission initiated meetings with the BLM Office in Arizona. It was clear to all the parties that this would be a substantial undertaking and considerable pessimism was expressed about the process and whether it could work. The BLM State Director, Dean Bibles, devoted his personal attention to this process and, utilizing the services of a mediator, Mr. Bobby Bond, accomplished all of the complicated transactions necessary to acquire those ranches. We must, once again, take this opportunity to commend these individuals and the entire staff of the BLM involved in this process, for the accomplishment of this "herculean" task. They faced opposition on many fronts including a protest filed by the Santa Fe Railroad with Interior's Board of Land Appeals. Despite the opposition and the extremely complex nature of the individual transactions, all of the ranches were eventually acquired.

Congress, when it passed the 1980 Amendments, envisioned that the land would be available for resettlement purposes within a relatively short period of time. In fact, however, the first ranch was not acquired until 1985. From the time of the Tribe's final selection in June, 1983 until the acquisition of the Wallace Ranch, two years of complex negotiations were necessary. It is only now, in 1987, that actual relocations to the New Lands are occurring. Thus, relocation has taken longer than was originally envisioned.

As soon as the lands were selected, the Commission began the process of planning for the utilization of the New Lands. This process included considerable input from the relocatees about the kind of settlement patterns they would find desirable and the kind of grazing system they wished on these lands. Numerous trips were conducted for relocatees to the New Lands. Meetings were held throughout the HPL to discuss the New Lands. At the same time, the Commission's planning contractor, CH2M Hill, was conducting a number of studies related to land use. These included range studies, hydrology and geology, and other aspects geared toward utilization of the New Lands. The Commission's planning efforts have been extensive. Last year, at the request of the Committee, the Commission submitted a comprehensive report on its planning efforts on the New Lands. This document included all the efforts undertaken to date, as well as future planning steps. With the BIA's involvement, some of the proposed planning was changed and new directions embarked upon.

The Commission continues to attach great importance to the development of the New Lands. For the traditional families impacted by relocation, these lands offer the potential for grazing, the core of their lifestyle. The accessibility of these lands to the interstate and railroad offers significant economic development opportunities. The BIA and the Commission are working together to insure expeditious development of the land.

The Commission is embarking on a joint effort with the Navajo Tribe to explore economic development opportunities on the new lands. We have always believed that the unique location of these lands, along both Interstate 40 and the transcontinental Santa Fe Pacific Railroad line offers great development opportunities. We are hopeful that this work will provide fruitful opportunities for those who choose to relocate there.

The Commission has been a strong advocate of the acquisition of land for relocation purposes. That acquisition has now become a reality and the BIA and the Commission are proceeding with development as directed by the Committee. It is extremely important that the Committees continue to support, with the necessary funds, the development of the infrastructure which is essential to the completion of successful relocation. We will continue to report to you on the development activities and the Commission's needs and plans for the area.

	House Report	Senate Report	Conference Report or Bill Language
F.Y. 1979	Commission directed to utilize the Office of the Solicitor of the Department of Interior for legal services. Language limiting the total compensation for the three Commissioners during that year.		Limits compensation for the expenses of the Commissioners.
F.Y. 1980	Because of judicial action and litigation vacating the line of partition, the Commission was unable to relocate the originally-projected number of families. The agency was directed to use unobligated balances for F.Y. 1980.	Acknowledges failure of other Indian service agencies to respond to the needs of relocatee families for social and health services. BIA and IHS have the responsibility to provide those services and those agencies were expected to work closely with the Commission to ease the plight of these families. Notes problems that had arisen because of the Department of the Interior's provision of administrative support to the Commission.	
F.Y. 1981	The Committee requests the Navajo and Hopi Indian Relocation Commission to evaluate and report to the Committee by January 15, 1981, the present eligibility criteria for relocation assistance to determine the reasonableness of establishing classes of residency in accordance with the Uniform Relocation and Real Property Assistance Act.		
F.Y. 1982	The Committee expressed its distress over reports of continuing recalcitrance on the part of Navajo Tribal leaders in proceeding with the relocation process. The Committee expects the leaders of both tribes to cooperate to the fullest extent in expeditiously completing relocation.	As a result of a General Accounting Office investigation requested by the Committee, it has been learned that fully 75 percent of the relocation benefits have been paid to individuals who do not live on the partitioned lands. A formal review has been requested and there exists the possibility that the Comptroller General will find that these payments have been made contrary to law. Until this issue is resolved, the Committee directs that no payments be made to those classified as "temporarily away." If payments to those "temporarily away" are found to be legal, the Committee further directs that the Commission revise its benefits schedule so that those not living in the Joint Use Area receive less than those who must actually be relocated. The Discretionary Fund would duplicate many existing programs now administered by the IHS and BIA. The Committee has determined that Discretionary Funds should not be made available until the land transfer has been completed.	The Managers are in agreement that the Commission must revise its schedule of benefits to establish classes of benefits which will distinguish between those living on the Reservation who must relocate, and those who are living away from the Reservation. No relocation payments may be made to those classified as "temporarily away" from the Reservation until such classes of benefits have been instituted.

	APPROPRIATIONS LANGUAGE		
	House Report	Senate Report	Conference Report or Bill Language
F.Y. 1983	The Committee expressed its concern over the failure of Tribal leadership to work together to resolve problems. The Committee considered bill language providing that all funding in the bill for the benefit of the Navajo and Hopi Tribes would be terminated March 31, 1983 unless written certification of good faith negotiations was received. Recent changes in Tribal leadership indicated that such negotiations may be forthcoming and the Committee has not included the language.	Bill language has been included to limit benefit payments to those who must actually be relocated. Once the physical relocation has been accomplished, the Committee will consider benefits for those who are currently physically residing in the Joint Use Area. The Commission is directed to include the costs of water and sanitation services within the total housing benefit and to reimburse IHS for their expenses in providing these services.	...Provided, That no bonus payments or relocation assistance shall be provided to any person who was not physically residing within the Joint Use Area as of the date of enactment of this Act (P.L. 97-394).
F.Y. 1984	The Committee does recommend that benefits be deferred for those who have claimed eligibility solely on the basis of recurring contacts, while a re-examination of the question of whether such persons should receive full or partial benefits is undertaken. The results of this re-examination should be submitted to the appropriate Committees of the Congress as quickly as possible. The Committee recommends that the Commission defer the relocation of families that might be affected by land exchange negotiations.	Added $5 million for relocation assistance to non-full time residents of the JUA. $10 million was appropriated for full time residents.	The Managers agree that the Commission should defer the relocation of families living in areas under consideration for exchange. The Managers further agree that $5,000,000 is available for the payment of benefits to those who were full-time residents of the Joint Use Area and who have moved but have not yet received relocation assistance payments.
F.Y. 1985	Recommends deleting $3.75 million from housing funds because of problems with land exchanges.	Established July 7, 1985 as deadline for receipt of applications. The Commission deadline had been July, 1986.	Established July 7, 1985 as application deadline.
F.Y. 1986	Prohibits eviction of families domiciled on HPL until a replacement home is available. Added funds for post-move counseling.	Added $22 million to BIA to build houses on the New Lands. Commission's proposal for New Lands development, including economic development, community facilities, health facilities, schools, rejected on basis that other Federal programs were responsible for those services.	Commission shall notify by January 1, 1986 of eligible relocatees physically domiciled on HPL who had applied for New Lands, If those on HPL had not selected a site, the Commission should designate these individuals for relocation to the New Lands. No families can be evicted from the HPL until a replacement home is available.
F.Y. 1987	Noted the differential costs of relocation because of erroneous initial estimates. Commission to use funds only for certified families who have selected house on or off-reservation and are willing to relocate. Chronological order in which Navajo families were certified should be order of relocation.	Bill language added directing the Commission to review the eligibility of all those who have not yet received benefits and decertify those not certified in accordance with law or regulation. First priority should be those on the HPL.	Benefit levels for those who have not yet had their housing benefits determined shall be calculated in accordance with an August, 1986 Interior Solicitor's Opinion. Commission to review the eligibility of all certified households not yet relocated and decertify those certified coutrary to law or regulation.

CLIENT POPULATION TOTALS

Senator DECONCINI. With that, Mr. Atkinson, we will let you summarize your statement.

Mr. ATKINSON. Our most important statement is that we have moved every family within the appropriation amounts given to us by the Congress. We stand ready, sir, to try to answer your questions.

Senator DECONCINI. Thank you.

Can you tell us the total population, in terms of families, to be addressed—yet to be addressed by this particular program? What are the needs that are yet to be addressed?

Mr. ATKINSON. Senator, I did not hear the question.

Senator DECONCINI. Can you give us the total population, in terms of families, that need to be addressed by the program, those yet to be administered to or taken care of under the relocation?

Mr. ATKINSON. We started with a total number of families of 2,617, and we are down now to families remaining to be relocated of 1,494. The numbers of individuals is roughly 6,000, 1,494 families.

Does that answer the question.

Senator DECONCINI. 1,494. Is that demonstrated over here? That is the third column there?

Mr. ATKINSON. Yes.

Senator DECONCINI. 1,123. That is how many who have been relocated? Is that your testimony?

Mr. ATKINSON. Yes, sir.

Senator DECONCINI. Thank you.

Of the unrelocated families, how many have applied for relocation benefits?

Mr. ATKINSON. All of those have applied for relocation benefits. We are not including any who would be relocated but have not applied for benefits.

Senator DECONCINI. Have any been denied relocation benefits?

Mr. ATKINSON. We have denied relocation benefits to approximately 2,000 heads of households.

Senator DECONCINI. On what grounds? What is the most used reason for denial?

Mr. ATKINSON. That they did not meet the legal definition of residency as contained in the Organic Act.

Senator DECONCINI. Have any of those been appealed?

Mr. ATKINSON. Yes; they have been appealed. Approximately 600 have appealed that decision.

Senator DECONCINI. And how have those appeals turned out?

Mr. ATKINSON. Those appeals have been running at 80 percent denied. About 20 percent have been changed, but I believe that figure to be correct.

Senator DECONCINI. Now to go back to this chart. I think I understand. Are there any families that have not applied for relocation? Is that the 900 and some?

Mr. ATKINSON. No; it is hard for us to estimate how many families have not applied, but we think that there are probably 60 families that have not applied for relocation benefits that would be eligible, but that is only an estimate.

Senator DECONCINI. Last year there was an effort made by the Navajo Tribe to reconcile the differences in the numbers of families counted for relocation program purposes by the BIA Commission and the tribe itself.

At that time, the tribe conducted its own enumeration of families still living on the Hopi partitioned lands [HPL]. I am told that the total enumeration have found 828 families residing on the HPL.

Has the Commission been able to verify how many people it believes to be on the HPL?

Mr. ATKINSON. The number of families physically residing on the HPL?

Senator DECONCINI. Yes, sir.

Mr. ATKINSON. I think, sir, that figure is probably around 300. I could be in error in that. Is that the figure we are using now? Yes; 300 are now physically occupying the HPL.

Senator DECONCINI. Is that correct? 300?

Mr. BAVASI. We have 300 on the HPL and Mr. Atkinson is correct. We estimate approximately 60 additional families that have not applied for benefits.

Senator DECONCINI. How do you reconcile the differences between 300 that the Commission indicates and the Navajo Tribe, a number of 828, just 1 year ago?

Mr. ATKINSON. We think our figures are accurate.

Senator DECONCINI. How current are your figures?

Mr. ATKINSON. We think our figures are current as of about 10 days ago.

Ms. MASSETTO. If I might respond to that.

At the very beginning of last year, after our appropriation hearings, the tribe and the Commission and the BIA attempted to reconcile the numbers. Basically, the difference between the Commission numbers and the tribal numbers is that anybody that is at the age of 18, under the tribal count, is considered a head of the household. That is not true with the Commission. We have a specific legal definition for head of household, which takes in such factors as self-sufficiency and really, in fact, head of household. Not everyone that is 18 is included in our head of household count for purposes of receiving benefits.

Senator DECONCINI. What you are telling me is that it could be 300 families from the standpoint of your definition of the family versus the tribal definition that count any person 18 as a family.

Ms. MASSETTO. I think our numbers and the tribal numbers are both correct, but there is a different definition of count in it.

PROGRAM COMPLETION

Senator DECONCINI. Of all of the families not yet relocated under the current law, if they were to be relocated, how long would that take?

Mr. ATKINSON. At the current rate of appropriation it would probably take into 1993. If the appropriations were increased, the number of years it would take would decrease.

Senator DECONCINI. Have you projected what is the maximum amount of funds you would need at maximum use to relocate all of those who have not been relocated? What is the shortest period of time? The annual amount of money?

Mr. ATKINSON. I think if we had an appropriation of $30 million a year for housing benefits——

Senator DECONCINI. How much?

Mr. ATKINSON. $30 million per year, that we would complete this in fiscal year 1990.

Senator DECONCINI. 1990?

Mr. ATKINSON. Yes, sir.

CLIENT POPULATION TOTALS

Senator DECONCINI. Chairman Atkinson, the actual number of families who are being affected by relocation in the act has always been difficult to get a handle on, just as the definition indicates the difference of family, heads of family households. In 1974, when Public Law 73–531 was enacted, Congress was told that no more than a few hundred families would be required to relocate. The legislative record leaves little evidence of how that number was determined, yet whenever arguments are advanced by the different parties who are involved in the issue, the number of families affected become central to the discussion.

For example, in your statement, you speak of 2,500 families certified for relocation benefits, who you say have voluntarily relocated from the Hopi partitioned land. Have all these families received relocation benefits and been permanently settled in new communities?

Mr. ATKINSON. The difference between the number that was in the Organic Act are the 800 to 1,000 families and what we have is probably in the legal definition of the word residents. The legal definition of resident was a problem to us in the first year in which we met in 1975 and 1976. The eligibility and the way we arrived at eligibility was with the attorneys which we had and the full knowledge of the attorneys in the Department of the Interior and in the General Accounting Office, as it went.

I think in 1978, we asked the General Accounting Office, specifically, to tell us were we using the right criteria for eligibility, and they came back and confirmed that we were——

Senator DECONCINI. Let me interrupt you a minute. What I am interested in knowing is that your statement speaks of 2,500 families certified for relocation benefits, who, you say, have voluntarily relocated from the HPL. Is that accurate?

Mr. ATKINSON. I'm not sure whether we think that that figure is accurate of the number of people that we have certified eligible, and the remaining families there are probably 300.

Senator DECONCINI. Have the 2,500 families that have been certified, who you say have voluntarily relocated, have they all received their benefits?

Mr. ATKINSON. No, sir; only 1,100 and some of the 2,500.

Senator DECONCINI. 1,100 have received benefits?

Mr. ATKINSON. Yes; 1,123.

Senator DECONCINI. And you get the number 2,500 from where? Actual count?

Mr. ATKINSON. We get that number, sir, from the number of people who applied for benefits, and then as we went through their eligibility for benefits, we reached that figure of 2,500 or actually 2,617.

Senator DECONCINI. That uses your definition of family rather than one that the tribal council might use.

Mr. ATKINSON. That is our definition of the heads of household. There are 2,617.

Senator DECONCINI. So if we use the tribal definition, the number could be as high as 4,000 or more, based on the difference between the numbers on the last question I asked you——

Mr. ATKINSON. I cannot——

Senator DECONCINI. This could be as many as 4,000 or 5,000.

Mr. ATKINSON. Yes, sir; I cannot comment as to how the tribe did that.

Senator DECONCINI. How many people does the 2,500 families represent?

Mr. ATKINSON. Approximately 10,000.

Senator DECONCINI. Thank you.

HOPI PARTITIONED LANDS LIVING CONDITIONS

If one considers the circumstances under which the disputed land residents have to live, I believe the question must be asked if, indeed, all relocations are not, in fact, compulsory, isn't that a fact that these people have to move? They really do not have any choice?

Mr. ATKINSON. Well, Senator, the act—all of our actions have been taken on voluntary relocation, and I think that there might be an interpretation as to that. I am not sure.

Senator DECONCINI. For example, those families that live within the 1882 Reservation, hasn't there been an Arizona District Court order in effect since 1972, which mandates these residents to reduce their livestock, get the approval of the Hopi Tribal Government on any new construction of homes and other community facilities?

Is that your understanding of that court decision—order, rather?

Mr. ATKINSON. You use the date of 1972.

Senator DECONCINI. Yes, sir.

Mr. ATKINSON. Senator, I'm not qualified or knowledgeable to comment on that.

Senator DeConcini. Maybe Ms. Massetto can answer that.

Ms. Massetto. Yes; that is correct. That is correct.

Senator DeConcini. The district court order?

Ms. Massetto. Yes, sir.

Senator DeConcini. So from that date, there was a mandate that these residents on the 1882 Reservation had to do certain things. Reduce their livestock, get approval of the Hopi Tribal Government on any new construction of homes or other facilities.

And then after the 1974 act—maybe Ms. Massetto can answer this—was passed by Congress and the disputed area was divided between the two tribes, wasn't it true that only those 1882 Reservation residents who were lucky enough to end up on the Navajo side of the partitioned line could proceed with the construction of needed homes or much needed improvements on their existing dwellings?

Ms. Massetto. That is correct, except there was a sort of livestock count on the Navajo partitioned lands [NPL] too, but the construction was certainly—there was a lot of construction, and that is why there were so many people in HPL moving to the NPL. They could build.

EMERGENCY ASSISTANCE

Senator DeConcini. So if you were among the families that were partitioned on the Hopi Tribe, then that was in effect today?

Ms. Massetto. Yes.

Senator DeConcini. So these people cannot build homes and they can expect to encounter delays of getting Hopi approval for repair work which their homes may need, and it leaves them with little option, does it not?

Ms. Massetto. Yes, sir; and in addition to that, there has been some continual concern about the land and its ability to maintain—the court order has remained in force. There has not been an increase in livestock numbers.

Senator DeConcini. What happens if you should be so unlucky as to lose your home to a fire and you are in that area and you don't want to relocate from the HPL?

Ms. Massetto. That is an emergency situation, and as I understand it, the Hopi Tribe has allowed assistance in that particular instance.

Senator DeConcini. Maybe this is an unfair question to ask you. Do you know what that assistance amounts to? Does it amount to rebuilding the home so they can continue to live there?

Ms. Massetto. I would have to check with the Hopi Tribe on that. I know they have provided assistance in that area when there has been a house that has been burnt down or been destroyed in some manner.

Senator DeConcini. We will ask—let me ask you this:

Can your Commission, Chairman Atkinson, inquire and find out whether or not there has been any such permission of people to rebuild a home when a fire has destroyed it?

Mr. Atkinson. Yes, sir; we will submit that in writing for you.

Senator DECONCINI. Do you have the option to replace the home?

Mr. ATKINSON. We have emergency funds and emergency authority. Mr. McAlister, would you speak to that?

Mr. MCALISTER. We have the capability to make emergency moves.

Senator DECONCINI. Have you ever done that?

Mr. MCALISTER. Yes, sir.

Senator DECONCINI. Can you give me an example of what you have done on the HPL land?

Mr. MCALISTER. If you are asking can we build a house on the HPL, no.

Senator DECONCINI. What emergency assistance have you given?

Mr. MCALISTER. If a person is certified and their house burns down, they can be moved immediately into their relocation house.

Senator DECONCINI. They cannot stay there under any circumstances?

Mr. MCALISTER. We don't have that authority.

Senator DECONCINI. You don't have the emergency authority for them to stay under emergency circumstances where they have not asked for relocation or they have not been certified? You cannot permit them to stay, is that correct?

Mr. MCALISTER. We cannot expend money to build a house on the HPL.

Senator DECONCINI. You cannot permit them to stay there and give them assistance to stay there?

Mr. MCALISTER. We cannot give them the assistance to stay there, but we do not control whether or not they stay there.

Senator DECONCINI. What?

Mr. MCALISTER. We cannot provide assistance, but we cannot control whether or not they stay there.

Senator DECONCINI. No; the elements in my hypothetical control that because the house has burned down now. So they are standing there without a house.

And so that the record is clear, you don't have the authority to go and build them a house where their house burned down or next door, is that right?

Mr. MCALISTER. That is correct, sir.

Senator DECONCINI. So they really have no choice if they want to live in a house but to leave?

Ms. MASSETTO. That is not truly accurate. They can—their option is that if they choose to—if they go to the Hopi Tribe and request to reconstruct, that they be permitted in some instances to have a trailer or to build some other house on their own, but we do not reconstruct.

Senator DECONCINI. Your emergency authorization does not permit you to do anything like give them assistance for housing where their house burned down?

Ms. MASSETTO. Generally speaking, that is correct. I cannot remember any instance, Senator DeConcini, where we have gone out and built some kind of housing structure, and I don't believe they have moved in a trailer. I believe that has been from the assistance from the Navajo Tribe.

Senator DECONCINI. Do you have an opinion, Ms. Masseto, as to the living conditions as a result of this court-imposed freeze, what it has caused for some of the people trying to live on the HPL?

Ms. MASSETTO. I cannot give you numbers. Given my contact with the people, one of the major complaints is that they have not been able to maintain their houses in a manner in which they would like to. They find it very difficult to constantly have to go to a tribal government other than their own to request the permission to do repair, although the fact of the matter is that in real repair they don't have to have that permission.

But what has happened in the past is that people have—what they thought was repair the Hopi Tribe has said no, it was not, it was new construction. So we have ended up in district court in Phoenix having a battle over what is repair and new construction.

HOPI PARTITIONED LANDS

Senator DECONCINI. How would you term the condition of those—of the people who are living on the HPL?

Ms. MASSETTO. The condition of the people?

Senator DECONCINI. Their housing.

Ms. MASSETTO. I think it is below standard for a variety of reasons. The HPL and the NPL generally have been removed from the focus of assistance over the last 30 or 35 years because of the land dispute, and that has been increased since the 1974 act, so that generally speaking the living conditions are difficult.

Senator DECONCINI. Do you concur with that, Mr. Atkinson?

Mr. ATKINSON. Well, sir, we have done what we can within the law to mitigate the living circumstances in which those people——

Senator DECONCINI. I appreciate that, but that is not my question.

How would you term the conditions of the people who are still living on the HPL as to their housing? Would you consider it good, deplorable, excellent, fair, minimum standards?

Any term you like.

Mr. ATKINSON. I would say, Senator, that they are minimum standard.

Senator DECONCINI. What?

Mr. ATKINSON. Minimum standard.

Senator, can I digress here to make a statement that I should have made at the beginning?

Senator DECONCINI. You may.

Mr. ATKINSON. Commissioner Ralph Watkins wanted me to extend his regrets to you that he was not here today. Because of a prior commitment, he is unable to be here.

Senator DECONCINI. I thank you, and I wish you had conveyed it—conveyed Mr. Watkins' appreciation for that—my appreciation for that. He did call my office and talked to my administrative assistant, indicating that he could not be here.

Mr. ATKINSON. Thank you, Senator.

INSPECTOR GENERAL AUDIT

Senator DeConcini. Mr. Atkinson, I know you have had a number of inspector general's and GAO audits, and what have you. I know that during the past year the Commission has been audited by the Department inspector general, and I realize that the audit covers the time period when Mr. Watkins, who is not here today, was Chairman of the Commission.

I looked at the most recent audit report issued by the inspector general, and I would like to ask you a few questions if you can reply to them.

I do want the record to show that Mr. Watkins called and left a message that he would be more than happy to reply to any questions I had regarding the inspector general's report, and I hope to have an opportunity to discuss it with him.

Mr. Chairman, is it true that the vendor—can you identify any of the vendors in that report; in particular, vendor No. 11, who that is?

Mr. Atkinson. No. 11, sir, is the law firm of Craft & Loesch.

Senator DeConcini. Where is that located?

Mr. Atkinson. In Georgetown.

Senator DeConcini. Washington, DC?

Mr. Atkinson. Yes.

Senator DeConcini. Is this vendor on contract to the Commission?

Mr. Atkinson. Yes, sir.

Senator DeConcini. Since February 1983?

Mr. Atkinson. I believe that is the correct date, sir.

Senator DeConcini. How much has the Commission paid to the vendor since February 1983?

Mr. Atkinson. Senator, I would like to defer that question to our administrative officer, Mr. McAlister.

Mr. McAlister. Approximately $305,000.

Senator DeConcini. Is that based on an hourly rate or a contractual annual rate?

Mr. McAlister. An hourly rate, Mr. Chairman.

Senator DeConcini. What is the hourly rate?

Mr. McAlister. $125 per hour.

Senator DeConcini. What services are performed for that? Does that include lawsuits? Is that more advice in the form of opinions, or just what does that include?

Mr. McAlister. The scope of work includes any general requests for legal opinions, activities commissioners, and staff assigned to counsel. We have no Washington office. So the contract allows for Mr. Craft to perform a variety of functions, generally of a legal nature, sometimes less than specific legal opinions. Because of the fact that we have no local presence, he does perform some contact and liaison activities.

Senator DeConcini. Has there been any other law firms or lawyers hired or paid during that period of time besides the Craft law firm?

Mr. McAlister. Yes, sir; I believe beginning in 1984 we had an in-house counsel on contract. That person was moved this year from contract to a payroll position, to a staff position on a part-time basis.

Senator DECONCINI. That is separate from the legal firm when they were on contract?

Mr. MCALISTER. Yes, sir.

Senator DECONCINI. As a result of having a lawyer in-house or on contract, have the annual legal fees decreased under the contract with the Craft firm?

Mr. MCALISTER. The figure for this year for Mr. Craft's contract is approximately $40,000 less than the total figure was last year.

Senator DECONCINI. $40,000 less than it was last year?

Mr. MCALISTER. That is correct.

Senator DECONCINI. That means 1987 it is $40,000 less than it was last year?

Mr. MCALISTER. Than 1986.

Senator DECONCINI. How much was it in 1986?

Mr. MCALISTER. $120,000 in 1986.

Senator DECONCINI. And in 1985, do you remember?

Mr. MCALISTER. I believe the figure was somewhat less than that in 1985. I believe it was about $109,000, and for 1987 it has been forecasted at $70,000.

Senator DECONCINI. $70,000?

Mr. MCALISTER. That is correct.

Senator DECONCINI. What caused it to go so high in 1985 and 1986?

Mr. MCALISTER. As you indicated earlier, it is an hourly contract. It was a matter of more assignments. I do not have at my disposal all of the specifics.

Senator DECONCINI. Has the hourly rate gone up during that period of time?

Mr. MCALISTER. No, sir; it has not.

Mr. ATKINSON. If agreeable with you, we would like to submit to you in writing the exact amount of the contracts over the period of time.

Senator DECONCINI. That would be very helpful, Chairman Atkinson.

[The information follows:]

Historical record of Fred Craft contract

Fiscal year:	
1982	$6,394
1983	66,477
1984	53,902
1985	106,783
1986	117,428
1987	62,509

ADDITIONAL COMMITTEE QUESTIONS

Senator DECONCINI. We have some other questions that we will submit to you, Chairman Atkinson. If you could ask your staff and yourself to respond to them, we will give them to you either today or tomorrow. I think they will be ready today.

If you could respond to those as soon as possible, we would appreciate it.

Mr. ATKINSON. Yes, sir.

Senator DECONCINI. Thank you.

Mr. ATKINSON. Thank you, Senator DeConcini.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

QUESTION What is the total population, in terms of families, to be addressed by the program? In other words, what is the total need to be addressed by the program since it's inception?

RESPONSE The Commission estimates that a total of 2,725 families will receive relocation benefits. This estimate is based on information that is current as of the close of business on April 25, 1987, and its composition is illustrated below:

	NAVAJO HPL RELOCATEES	DISTRICT 6 EVICTEES	HOPI NPL RELOCATEES	TOTAL
°Apps Alrdy Cert	2,573	53	23	2,649
°Certd on Appeal	+ 112	+ 3	+ 1	+ 116
°Subtotal	2,685	56	24	2,765
°Subt Cert Review	- 100	- 0	- 0	- 100
°Est of NonApplcts	+ 60	+ 0	+ 0	+ 60
°Est Total Elig	2,645	56	24	2,725

It is estimated that approximately 20 percent of the denied cases which are being appealed will be reversed and found eligible for relocation benefits. It is further estimated that no more than 100 certified applications will be reversed as a result of the certification review.

QUESTION How many Indian families have been relocated with benefits so far? How many families remain to be relocated, under the law?

RESPONSE A total of 1,181 families have received relocation benefits as of the close of business on April 25, 1987. The Commission estimates that an additional 1,544 families remain who will receive benefits. The composition of this group is illustrated below:

	NAVAJO HPL RELOCATEES	DISTRICT 6 EVICTEES	HOPI NPL RELOCATEES	TOTAL
°Est Total Elig	2,645	56	24	2,725
°Relocated	-1,138	-29	-14	-1,181
°Rem to Rec Bfts	1,507	27	10	1,544

QUESTION Of the unrelocated families, how many families have applied for relocation benefits? How many have been certified? How many have been denied? How many have appealed?

RESPONSE A total of 4,449 families have applied for benefits; 2,649 have been certified; 1,781 have been denied and 583 have appealed. The composition of each group is illustrated below:

	NAVAJO HPL RELOCATEES	DISTRICT 6 EVICTEES	HOPI NPL RELOCATEES	TOTAL
°Intake	2*	0	0	2
°Pending C/D Dec	17	0	0	17
°Certified	2,573	53	23	2,649
°Denied	+1,616	+152	+13	+1,781
°Total Applied	4,208	205	36	4,449

*An additional 75 incomplete applications are being carried as inactive applications because they cannot be forwarded for certification review until more information is received from the applicants.

	NAVAJO HPL RELOCATEES	DISTRICT 6 EVICTEES	HOPI NPL RELOCATEES	TOTAL
°Appeals	561	15	7	583

QUESTION How many families have not applied for relocation benefits?

RESPONSE The Commission estimates that approximately 60 Navajo families who are currently residing on the HPL have not applied for relocation benefits.

QUESTION If all of the families not yet relocated under the current law were to be relocated, how long would this take? In other words, when would the relocation effort, as currently conceived, be completed? At what annual cost to the Relocation Commission over how many years? Please include costs for relocation benefits, community facilities (roads, water systems, etc.) and education or medical facilities. At what annual cost to the Bureau of Indian Affairs and over how many years? At what annual cost to the Indian Health Service and over how many years?

RESPONSE The length of time necessary to relocate the remaining families depends on a) the number of families the Commission must relocate and b) the funding available.

a) It is estimated that 1,544 families remain to receive relocation benefits, and that the Assistant Secretary will move 176 of these families. Hence, 1,544 - 176 = 1,368 for the Commission to move.

b) In the past the Commission has received sufficient funds to relocate between 175 and 200 families a year.

Thus with past level of appropriations maintained into the future, it will take from 7 to 8 years to relocate all the remaining families.

$$\frac{1,368}{200} = 6.84 \text{ years} = 7 \text{ years}$$

$$\frac{1,368}{175} = 7.82 \text{ years} = 8 \text{ years}$$

If the 7 year timeframe holds the program will be completed in fiscal 1994. If 8 years hold it will be completed in fiscal 1995.

QUESTION Very briefly, summarize the Commission's plans to meet the unmet needs, including the activities of the Bureau of Indian Affairs and the activities of the Indian Health Service.

RESPONSE Determining what "unmet needs" exist and more importantly, which of them are the immediate responsibility of either the Commission, the Bureau, or the Indian Health Service is difficult in light of the historical instructions the Commission has received in this regard. The Commission has been directed by the Committees at the last several hearings not to address any of the kinds of needs which are normally funded by the Tribe or one of the responsible agencies on a normal basis. That is to say, that factors such as health service, road improvement, and other ongoing activities normally associated with reservation programs are to be funded in the normal outyear cycles. They are, therefore, currently not being considered in the overall immediate needs category. The Indian Health Service has estimated that it will require approximately $10 million dollars to complete the community water system which will ultimately serve both the rural community and the 19 grazing clusters. The Bureau of Indian Affairs was appropriated approximately $3.4 million in fiscal year 1987 for road improvements. At the current time, the Commission understands that the Bureau feels there is sufficient road funds for minimal initial road construction.

It is the Commission's understanding that the Bureau will continue to improve and upgrade those roads in its normal outyear funding cycle. The Commission itself has participated in the past with the Indian Health Service and the Navajo Tribal Utility Authority for infrastructure projects both on the existing reservation and on the New Lands. The Commission has a $6 million annual authorization for Discretionary Funds, and, assuming the possibility of appropriations up to this authority level, feels that sufficient funding will be available to underwrite the Commission's share of such costs.

FY 1987 PLAN

QUESTION The justification document indicates that 180 to 190 families will relocate in FY 1987. The fiscal year is now half over. Are the names of the families and the sites to which they will be relocated known to the Commission at this point? At what point in the fiscal year will the relocation be accomplished?

RESPONSE The names of the families and the sites to which they will relocate are known at this point. The relocations will be completed before September 30, 1987. As of May 1, 1987, 100 families have been relocated.

FY 1988 PLAN

QUESTION The justification document indicates that 180 to 190 families will be relocated in FY 1988. Are the families and relocation sites yet known? When will they be known? What is the criteria for selection?

RESPONSE The families and sites to which they will move in FY 1988 are not yet known. They will be known toward the end of this fiscal year as the families complete pre-move counseling. The current criteria for selection is based upon completion of pre-move counseling, readiness of the family and extended family to move and priority to current continuous residents of Hopi Partitioned Lands. Priorities will be examined and possibly adjusted after analysis of the survey of families awaiting relocation.

NEW LANDS DEVELOPMENT - WATER DEVELOPMENT

QUESTION What are the plans for providing those families relocating to the New Lands with domestic water? More specifically, what are the short range plans of the Bureau of Indian Affairs for interim water development and what are the longer range plans for the Indian Health Service community water system?

RESPONSE The BIA is currently in the process of developing an interim water system for the Parker Draw and Little Silversmith range cluster sites. This system is scheduled to be completed by the end of May 1987. The BIA is also proposing to develop interim water systems to serve the Antelope Well, Kelsey and Middle Wells range cluster sites. To date there has been no anticipated time of completion established for this system, however, four families have selected homesites on the Antelope Well site and construction may begin on their homes in early June of this year.

The IHS is proceeding with the design of the community water system. Phase one of this system will have as a primary source of water a well or series of wells located on the former Spurlock Ranch. Line will run from a storage tank to nine of the range cluster sites and then on to the rural community site in the vicinity of Sanders.

QUESTION When will the systems be ready for hookup and how many homes will the systems be able to serve?

RESPONSE The BIA interim water system will be ready for hookup by the end of May and will be capable of serving approximately 75 homes based on the quantity of water from the Parker Draw Well sites. The IHS system will be completed by the spring of 1988 and will be capable of serving approximately 500 homes.

ELECTRICITY DEVELOPMENT

QUESTION What is the current status of the project to provide electricity? Will it be accomplished in time to serve the families as they move into the new homes? Please give a schedule for both the completion and occupancy of homes over the next few years and the availability of electricity to be hooked up to the homes.

RESPONSE Part I: Continental Divide Electric Co-op (CDEC) has completed the design of the system that will serve the families that are currently scheduled to move into the Little Silversmith and Parker Draw cluster sites in May of 1987. A right-of-way application to construct this system was submitted by CDEC to the BIA on March 23rd. This application has been submitted to the Navajo Tribe for their consent. To date that consent has not been forthcoming. CDEC estimates that after receiving approval on the application it will take approximately one month to construct the lines.

Part 2: Assuming that the Navajo Tribe approves the right-of-way application in the near future, it is possible for CDEC to complete construction of the electric lines by the end of May, 1987. Based on the information provided to the Relocation Commission from the BIA, this is consistent with the scheduled completion of the interim water system and the relocation homes currently under construction.

Part 3: The BIA is projecting the completion of 49 homes in 1987. The exact location of these homes has yet to be determined, however, given sufficient advanced notice, we do not anticipate any difficulty in providing these homes with electric service.

RANGE CLUSTER SITE DEVELOPMENT

QUESTION Very briefly, describe the range cluster site development effort. For example, how many range cluster sites serving how many families each are contemplated for relocatees?

RESPONSE There are a total of twenty-one range units that have been identified on the New Lands. These range units range in size from approximately 6,000 acres to 29,000 acres and in livestock carrying capacity from roughly 200 sheep units year long (suyl) to 700 suyl. Within each range unit a "range cluster site" has been identified for residential use of the persons permitted to run livestock in the range unit and their extended families.

Persons eligible for grazing on the New Lands (permittees) are eligible for permits ranging in size from 4 suyl to 80 suyl. In the first two priorities of people that are eligible for permits on the New Lands it is estimated that their are 170 families. There is enough pasture available on the New Lands to accommodate the livestock of all 170 families in the first two priorities eligible for grazing permits.

In the planning for the development of the New Lands the Relocation Commission anticipated that in addition to the permittees there would be two or three additional adult extended family members that would choose to have their relocation replacement home constructed in a traditional camp setting on the range cluster site of the permitted family member.

Using these estimates the figure of approximately 500 families moving to the range cluster sites is obtained.

The issue of whether families will choose the New Lands as their relocation site option remains to be seen.

QUESTION What has been the reaction of potential relocatee families to their option of moving to the New Lands?

RESPONSE In the summer of 1986 the Relocation Commission and the BIA conducted a survey of the approximately 170 persons that were eligible for grazing permits on the New Lands to obtain their reactions to these lands and ask them if they would like to tour the lands. Further, during the months of February to April, 1987 the Relocation Commission conducted interviews of the 1,200 families that are eligible for relocation benefits, but not currently residing on the HPL, and asked them among other things where they would like to relocate. It is important to note that at the time of these surveys the general knowledge of the New Lands on the part of the relocatee population was, and remains to date, rather limited, and in many cases, misinformation about these lands is being distributed by entities opposed to the relocation effort.

In the survey conducted in the summer of 1986 the respondents were grouped into five categories. The categories and the total respondents in each are as follows:

CATEGORY	NUMBER OF RESPONSES
1. Interested in moving to the New Lands	36
2. Doubtful about moving to the New Lands	43
3. Not interested in the New Lands	35
4. Resisting relocation	46
5. Not enough information to categorize	15
TOTAL	175

The results of the survey conducted by the Relocation Commission, of those certified eligible, not yet relocated families that are not currently living on the HPL found that only 32 of those responding indicated that they would like to move to the New Lands.

QUESTION What is the process being used to match families to specific sites on the New Lands?

RESPONSE Potential New Lands relocatees are being taken on tours of the lands and shown the twenty-one range units. In addition, they are provided with information concerning the New Lands such as existing range improvements, infrastructure development schedules, existing health, school and community facilities, and range management plans, and a host of other issues related to the area. The actual selection of a site on one of the range units is left up to the permittees and their extended families.

QUESTION What is the process for developing a range unit?

RESPONSE The primary consideration in the development of the range units is the availability of good quality domestic water. The search for domestic water sources began with the USGS feasibility studies and subsequent test hole drilling at the propose residential sites. Based on the results of this research and exploration, the BIA has been contracting for the development of production wells at several of the sites.

After the proven availability of a water source of sufficient quality and quantity at a site families that have chosen the site for relocation engage in a site planning session to identify where they would like their homes, internal access roads, livestock holding pens, gardens, and other land uses.

The information obtained in the site planning session is recorded by the Relocation Commission's contractor, CH2M Hill, and developed into a site plan map. The site plans and maps are reviewed by representatives of the agencies responsible for the various aspects of the development of the cluster sites. After reviewing the plans and obtaining the needed clearances and right-of-ways construction begins.

RURAL COMMUNITY DEVELOPMENT

QUESTION What is the status of the rural community? When do you expect to select a site?

RESPONSE The Relocation Commission is currently reviewing two possible sites in the vicinity of the existing community of Sanders as possible locations for the rural community. We anticipate that the final selection of the site will occur by the end of May.

QUESTION If high levels of contamination are found in the Rio Puerco River, what impact will this have on the location of the proposed rural community? What safeguards are contemplated to make sure that the rural community is sited sufficiently far from the river so as to protect the inhabitants, especially the children from exposure to contamination?

RESPONSE The location of the Rio Puerco River in relation to the rural community is a very important criteria in the current review of the two proposed community sites. The two sites that are being reviewed are located in the vicinity of the existing community of Sanders which is also the location of the shool and most of the community services in the New Lands area. The river does flow through the community of Sanders. Based on the results that have been received from the USGS study to date it does not appear that the contamination levels in the river are at a level that would warrant moving the community to a location remote from the community facilities located in Sanders. It should also be noted that even in the community location closest to the river there is a distance of one mile.

QUESTION What is the status of the U.S. Geological Survey study of the Rio Puerco River? What about possible contamination problems from blowing dust contaminated with radioactive particles? Does it make sense to site a rural community in this area at all.

RESPONSE The USGS has completed its reconnaissance study of the Rio Puerco, and has issued its report. DISTRIBUTION OF RADIONUCLIDE AND TRACE-ELEMENTS IN GROUND WATER, GRASSES AND SURFICIAL SEDIMENTS ASSOCIATED WITH THE ALLUVIAL AQUIFER ALONG THE PUERCO RIVER, NORTHEASTERN ARIZONA -- A RECONNAISSANCE SAMPLING PROGRAM, By Robert H. Webb, Glen R. Rink, and Barbara O. Favor, USGS Open-File Report 87-206. The report's abstract states, "Groundwater, perennial grass, and sediments were sampled for trace elements and (or) radionuclides in the Puerco River basin northeastern Arizona. The concentrations of gross alpha radioactivity minus uranium exceeds 15 pCi/L in 5 of 14 wells samples. The concentration of radium-226 plus radium-28 exceeds the primary water-quality standard of 5 pCi/L in one well. The concentration of uranium exceeds a recommended limit of 0.035 mg/L in two wells. Perennial grass and sediment samples have low concentrations of radionuclides. The concentration of trace elements in the sediment samples was not unusual. Water quality of surface water in the Puerco River at Chambers varied as a function of the suspended-sediment concentration. Concentrations of total gross alpha have fluctuated from 12 to 11,200 PCi/L. Concentrations of total gross beta fluctuated from 45 to 4,500 pCi/L."

Blowing dust contaminated with radioactive particles was determined not to be a problem. To quote from the USGS report, "Perennial grass and sediment samples have low concentrations of radionuclides. The perennial grass samples showed no differences between samples taken from the flood plan or the terrace. Sediment samples showed no difference among samples from the channel, flood plain, or terrace. No unusual concentrations of trace elements were measured in the sediment samples."

Based on the USGS report, and companion work by EPA the Commission believes that development and settlement of the New Lands may go forward -- subject to the actions identified in the Commission's answer to Question 40.

QUESTION What implications does the possibility of contamination in the New Lands area have on the development and settlement of the area? Should not the answers to all of these questions regarding possible contamination be know and confirmed before plans are undertaken to site any kind of community in the area?

RESPONSE The USGS and the EPA (which assessed the health risks of the contamination identified by the USGS) neither indicated nor suggested that development and settlement be halted. Based on these agencies findings about the extent of contamination and the health risk posed by this contamination, the Commission believes that development and settlement of the New Lands may go forward -- subject to the actions identified in the Commission's answer to Question 40.

QUESTION How can relocatees be assured of a stable and ample water supply which meets EPA standards?

RESPONSE The current work being done by the Relocation Commission and the BIA to identify stable and ample water supplies on the New Lands is taking place with the assistance and guidance of the USGS Water Resources Division and the EPA. Potential domestic water sources are being test pumped to the long range production capabilities of the wells and water samples are being taken and evaluated to determine if all EPA standards are met. In addition, all wells will be monitored on a schedule that complies with EPA standards after the wells are in service.

RELOCATEE HOME RETENTION

QUESTION Recent news accounts have been especially critical of that aspect of the relocation program in which relocatees lose their homes through alleged fraud. How many homes have been acquired off-reservation and how many have been sold?

RESPONSE As of the end of April 1987 a total of 633 families have relocated off-reservation. (548 have relocated on-reservation). The most current information on the sale of replacement homes dates from May 1985...at that time 460 off-reservation homes had been acquired in Arizona, New Mexico and Utah, and 142 homes (31 percent) had been sold.

QUESTION Do you have any figures to indicate if relocatees, in general, lose money on the sale of their homes?

RESPONSE While doing the May 1985 study the Commission was able to obtain information on the selling prices of 118 of the 142 sold homes.

Comparing these prices with the government's acquisition cost of the homes indicates the number of sales in which the selling price was less than the home's acquisition cost, equal to it, greater than it, and not known.

Sell Less		Equal		Sell More		Subtotal		Not Known		Total
45	+	7	+	66	=	118	+	24	=	142

Selling Price less than Acquisition Cost. In these instances, the relocatee received less than the government paid for the house. The change from acquisition cost to selling price was negative for these transactions, and ranged from less than minus one percent to minus 40.30 percent. Overall, these homes sold for an average of 13.10 percent less than the acquisition cost.

Selling Price more than Acquisition Cost. In these instances, the relocatee received more than the government paid for the house. The change from acquisition cost to selling price was positive for these transactions and ranged from 1.56 percent to 148.30 percent. Overall, these homes sold for an average of 23.80 percent more than the acquisition cost.

All Sales with Prices. Overall, the 118 homes sold for an average of 8.32 percent more than the acquisition cost.

The above statistics reflect the recorded prices at which the homes were sold. Selling prices do not indicate the terms of payment; amount of compensation actually received; what was received -- money or property; condition of the house at the time of sale; conditions in the real estate market -- whether it was a buyers' or sellers' market; etc. For these reasons, the fact that a relocatee's selling price was greater than the acquisition cost should not be taken as a automatic indicator that the family made a windfall "profit", and selling price less than the acquisition cost should not be taken as an automatic indicator that the family "lost money" by being exploited.

QUESTION Generally, why did families sell their homes?

RESPONSE Reasons why relocatees sold their homes have been discussed in a number of reports -- see the Commissions' 7th Annual Report (January, 1983); February, 1983 Supplemental Assessment of Replacement Home Ownership; Report and Plan Update (June, 1983); and 9th Annual Report (April, 1985). Some had been waiting for a number of years for homesite leases on the Navajo Reservation while living in substandard homes. Although they relocated off-reservation, they wished to live on the reservation once their homesite lease applications were approved. When a family acquired a lease, they sold their replacement home and returned to the Navajo Reservation, using the funds received from the sale to construct a new home.

Other reasons why relocatees sold their homes included an inability to adjust to off-reservation living; a preference for on-reservation living; a need to move to another community because of employment opportunities or job promotion; financial problems; and on-reservation relatives needing them "back home."

During the fall of 1985, Commission staff interviewed seven heads-of-household who had relocated off-reservation and subsequently sold their replacement homes. One of the questions asked was;"What made you start thinking about selling your replacement home?" The responses indicated that:

- Six of the seven were not influenced to start thinking about selling by a desire to use the money to pay off loans or to get out of debt.
- Four of the seven were influenced to start thinking about selling by a suggestion from a real estate sales person.
- Six of the seven were not influenced to start thinking about selling by the needs and problems of members of their extended families.
- Four of the seven were influenced to start thinking about selling because of the problems they were experiencing.
- Six of the seven were not influenced to start thinking about selling by an intention to not reside permanently in their host community.
- None were influenced to start thinking about selling because they got a homesite lease, or because of educational needs or a job transfer.

Following the question about what started them thinking about selling, the interviewees were asked, "What made you make up your mind, and decide to sell your relocation home?" The responses included: did not like house (1 interviewee); mortgage payments (1 interviewee); real estate sales person's offer or suggestion (2 interviewees); wanted to live near members of the extended family (1 interviewee); lost job (1 interviewee); and trusted daughter's suggestion to sell (1 interviewee).

In response to a question about homesite location, five of the seven interviewees indicated that they would not have sold had their homes been located on-reservation.

IESTION Does the Commission plan to update and monitor this data periodically?

:SPONSE The Commission is in the process of updating its information on the number of homes sold for relocations to off-reservation communities in Arizona, New Mexico and

Utah. It is anticipated that the data collection phase will be completed by mid-June 1987.

INSPECTOR GENERAL REPORT

QUESTION	What has the Relocation Commission done to respond to the Inspector General's critical report dated July 17, 1986? Please respond in detail for the record. The response should include, but not be limited to, the issues raised in Senate Report 99-397.
RESPONSE	The Commission responded to all of the recommendations of the original audit in a report to the Inspector General. The Commission basically concurred with all of the recommendations made and set out a plan of action to correct all of these items. The Commission then provided a monthly report to the Assistant Secretary for Policy, Budget and Administration detailing its actions in compliance with the audit recommendations. As of February 20, 1987 the Office of Policy, Budget and Administration indicated that all but two recommendations concerning relocation eligibility had been adequately addressed/corrected. Additionally, the Inspector General directed a follow-up review specifically concerning procurement activities and that review revealed that the Commission had implemented all of its proposed corrective actions with the exception of the need for more specific administrative control in the case of Vendor #11. Enclosed are the following documents in response to the request from the Senate for a summary report on the Commission's compliance with the audit recommendations.

1. A memo to the Assistant Secretary, Office of Policy, Budget and Administration of December, 1986, summarizing the activities on each of the recommendations.

2. February 20, 1987 letter from Mr. Gerald Riso, Assis-Assistant Secretary, Office of Policy, Budget and Administration, Department of Interior indicating the PBA's analysis of the Commission's progress.

3. Commission's response to the Office of Policy, Budget and Administration in regard to those two items mentioned in the February 20th letter.

4. The Inspector General's follow-up review on procurement issues.

5. An April 24, 1987 letter from the Interior Regional Audit Manager regarding the Commission's response to the follow-up review.

LETTER FROM HAWLEY ATKINSON

March 23, 1987

Mr. Joseph W. Gorrell
Principal Deputy
Assistant Secretary -
Policy, Budget & Administration
United States Department of the Interior
Office of the Secretary
Washington, D.C. 20240

Dear Mr. Gorrell:

This is in response to Mr. Riso's letter of February 20, 1987 to Mr. Ralph Watkins. I was elected to the position of Chairman of the Navajo and Hopi Indian Relocation Commission in January of this year. I believe the following information will resolve the matter of the two outstanding audit compliance issues mentioned in your letter.

You are correct in your statement of the handling of the decertification issue as of the most recent report from the Commission to your office. The issue, however, has been resolved by P.L. 99-500, and the agency's legal review in regard to its ability to comply with the auditor's recommendation for decertification is no longer pertinent. P.L. 99-500 specifically instructed the Commission to review the casefiles of all individuals who had not yet received benefits, and to decertify those individuals, if any, who were not certified in accordance with the agency's law and regulations. While the Commission does anticipate that litigation will follow the decertification of any eligible clients, the issue of legal authority has been resolved by Congressional directive. The Commission has already begun the process of a full file review on every certified eligible head of household who has not yet received benefits. That process will be explained in more detail below. The second issue, regarding the establishment of income criteria, for single heads of household has now been resolved as well. The Commission has established criteria for the determination of self-support in the case of a single head of household, and these criteria are reflected in Attachment 1 to this letter. The following process will be employed for the decertification effort:

1. The agency's in-house counsel will review every file, for individuals currently certified eligible who have not yet received benefits. There are approximately 1500 cases in this category.

2. Applying the criteria reflected in Attachment 1 and reviewing the file documentation, counsel will first determine that group of individuals on whom there is no question of either residency or head of household status. These individuals will be cleared for processing and computerized tracking of that status will assure that no one is referred further in the process until they have been reviewed and cleared as to the validity of their certification.

3. Those cases which are found to be deficient in documentation on either the issue of residency or head of household status will be referred back to the Supervisor of the Certification/Appeals Branch. Counsel will make clear requests of the Certification/Appeals Branch in terms of deficient documentation.

4. When the file is referred to the Certification/Appeals Branch, the section will process the re-examination of the casefile through three major steps.

   a. If a review of the casefile, indicates that counsel has overlooked any documentation or if a summary statement of the rationale applied in arriving at the certification decision appears to be sufficient to clarify the matter, such a statement will be completed and the file will be referred to the Director of Operations. If the Director of Operations concurs, he will forward it to legal counsel for a second review. Legal counsel will either accept the new summary/justification of decision and validate the certification or will reject such summary and return the file once again for further documentation.

   b. If the Certification/Appeals Branch does not feel there is sufficient information in the file to warrant resubmitting to the agency counsel with a justification statement, the client will be contacted to provide further documentation on the issue at question regarding the certification as of the original date.

   c. If sufficient documentation is received to validate the original certification, it will be included in the file, a summary workup will be completed and referred to the Director of Operations for a decision as to whether or not it should be once again referred to the legal counsel and counsel will again either validate the certification or reject it and return it to the Certification/Appeals Branch.

   d. If the Certification/Appeals Branch determines after fact finding that indeed the individuals should not have been certified at the point in time of the original certification they will so note and then proceed to update the file for the most current applicable period of eligibility review. For an explanation of the rationale and process concerning this recertification review, please see the agency certification form enclosed herein as Attachment 2.

   e. If the individual who was determined to have been improperly certified originally, has subsequently met all of the agency's criteria for certification it will be so noted and the file will be referred back to the Director of Operations who will sign off on the recertification and then it will be forwarded to agency counsel for final review and concurrence.

   f. Any individual found to have been certified improperly on the original date of certification, who has not subsequently met eligibility criteria, will be notified that their original certification decision was issued in error and that they are hereby denied relocation benefits. They will be provided an administrative review process in order to complete the normal certification cycle utilized in the agency.

If, following your reading of this letter and review of the attachments, you have further questions concerning the manner in which we propose to resolve the two issues discussed herein, please contact Mr. McAlister at (602) 774-9645.

Sincerely,

Hawley Atkinson

Hawley Atkinson
Chairman

ATTACHMENT # 1

CRITERIA FOR CERTIFICATION REVIEW

There are two basic criteria for the determination of eligibility for relocation benefits: Head-of-Household status and Residence.

Residence

The Commission has always used a definition of residence which is synonymous with the term domicile or legal residence. Domicile is defined as "that place where a man has his true, fixed, and permanent home and principal establishment, and to which whenever he is absent he has the intention of returning." Basically legal residence is a residence at a particular place, accompanied with a positive proof of intention to continue there for an unlimited time. Black's Law Dictionary. The pattern of life on the Hopi Partitioned Lands is such that often times members of a household are away for employment or educational purposes, but retain an interest in an identifiable homesite on the Hopi Partitioned Lands. The Commission has always utilized a number of factors to determine residence.

1. Inclusion on the Joint Use Area roster prepared by the BIA immediately following the passage of the Act, is generally presumptive of residence absent any information to the contrary.
2. Continuous and current occupancy is obviously sufficient for the purpose of determining residency. This is generally shown by information contained on the time duration sheet prepared by the applicant, grazing permits and addresses.
3. Residency may be shown by the maintenance of substantial, recurring contacts with an identifiable homesite. This may be so even though the individual is temporarily away for employment, education, medical reasons, or continuous duty in the military service. The criteria on substantial and recurring contact goes to the intent to consider a place as one's permanent residence or domicile.
4. The following factors are considered in the determination of residence as of 1974:
    (1) Ownership of Livestock.
    (2) Ownership of Improvements.
    (3) Grazing Permits.
    (4) Livestock Sales Receipts.
    (5) Homesite Leases.
    (6) Public Health Records.
    (7) Medical and Hospital Records, including those of Medicinemen.
    (8) Trading Post Records.
    (9) School Records.
    (10) Military Records.
    (11) Employment Records.
    (12) Mailing Address Records.
    (13) Banking Records.
    (14) Drivers License Records.
    (15) Voting Records-Tribal and County.

(16) Home Ownership or Rental off the Disputed Area.
(17) B.I.A. Census Data.
(18) Certification from Chapter Officials-Not Required.
(19) Certification of Residency.
(20) Certification by Relocatee.
(21) Information Obtained by Certification Field Investigation.
(22) Social Security Administration.
(23) Marital Records.
(24) Court Records.
(25) Records of Birth.
(26) Joint Use Area Roster.
(27) Any Other Relevant Data.

There is not a fixed number of factors which are required for a determination of residence, rather, we consider the total circumstances of an individual's living situation as of 1974 to determine residence.

5. It is important to note that the living patterns on the Hopi Partitioned Lands are unlike typical Anglo communities and must be viewed in that context. Because of the building freeze and livestock reduction a number of families may be residing in one dwelling and a number of families may claim one residence as their domicile. These factors have been taken into account in regulations and in practice.

Although the regulations have been amended twice since the first publication, the basic criteria for eligibility required residence as of 1974. The regulations that were used from 1979 through 1983 allow for a determination of residency based on substantial and recurring contact, therefore, these certifications required an examination of an individuals activities following the passage of the Act in 1974. Those were substantiated by field investigation contacts by Commission staff as well as certification of residency obtained from chapter officials and other local residents. In those regulations, there was also a provision stating that anyone who moved from the Joint Use Area between 1974 and 1978 was presumed to have moved pursuant to the Act and there was therefore a presumption of eligibility. People who were certified between 1979 and 1983 could therefore establish eligibility based on that presumption.

The certification review is being conducted in accord with the regulations which were in effect at the time of certification, therefore each set of applicable regulations will be the basis for any determinations.

Head-of-Household

The Commission has always considered the variety of circumstances in which people live on the Hopi Partitioned Lands. A number of individuals survive in a traditional manner with their primary income from livestock and, therefore, have no objective evidence of income. Artificial income levels are not sufficient to determine self-supporting status for Navajo individuals. Those who are custodial parents or are married clearly fit the definition of head of household and family cards, marriage license, and birth certificates are utilized to prove such status. Those individuals who do not fall into these two groups but who are single must show proof of self-support. The various definitions of head of household status have been as follows:

1976 Regulations- The first regulation adopted by the Commission defined eligibility to require that a person must live in the area partitioned to the other tribe. A head-of-household was defined as "a person who qualifies as a head-of-household under the Internal Revenue Code of 1954, or a married couple, widow, or widower, or any single person who maintains a separate home and did so for a period of one year prior to the above date of the regulation." The only requirement for achieving head-of-household status related to single individuals who would to have been maintaining separate homes since 1975.

1979 Regulations- The Commission amended its regulations in 1979, defining residence as either current occupancy or maintenance of substantial and recurring contacts. At that time, a household was defined as:

(1) One or more persons residing together in a single abode where one household member has maintained continuous residency since December 22, 1974, or

(2) A married couple who was married as of 1980, or

(3) A single person who is a custodial parent, or

(4) A single person who has maintained and supported himself since November 12, 1975.

A dependent was defined as someone who receives more than 1/2 of their support from another.

1984 Regulations- The regulations were again amended in 1984. The regulations were amended to provide that in order to qualify as a head-of-household, the individual must have been a head-of-household as of the time they moved from the partitioned land. A single person would qualify as long as they actually maintained and supported themselves while residing on the partitioned land. This change was made to clarify the differing eligibility standards between custodial parents, married persons, and single individuals.

The Commission has always considered the variety of circumstances in which individuals live on the HPL. Artificial income levels are not sufficient to determine self-supporting status for Navajos. The following criteria are to be used in considering self-supporting status:

(1) While it is difficult to establish a fixed amount of income sufficient to demonstrate self-support, some guidelines can and will be determined. According to the 1980 Census, the median annual household income on the reservation was $8,000. Starting with that figure as a base the Commission would propose the following:

    (a) A certain percentage of any household maintenance income can be considered non-variable in relation to family size. The Commission has established a 25% rule, in off-reservation moves, which is in keeping with this concept. Therefore, the Commission would reduce the above mentioned median income by 25% to account for such non-variable expenses.

    (b) Application of this percentage reduction leaves a balance of $6,000 to be considered as discretionary, disposable maintenance income. The average size of families subject to relocation is 4.5 members. Dividing the discretionary maintenance income by the average family size results in a per capita maintenance figure of approximately $1,300.

(c) The $1,300, contingent upon adequate documented evidence, will be utilized as the base figure for presumption of self-support.

It should be noted that this figure is extremely close to the general assistance figure discussed in (2) below. The Commission feels that this favorable comparison of the average general assistance amount to its formula-derived per capita maintenance figure lends considerable credence to the establishment of this monetary floor for the presumption of self-support. It must be noted, however, that the circumstances on the HPL are considerably different than mainstreamed communities. A non cash economy exists for a large segment of the population. The Commission must, therefore allow for the possibility of an individual demonstrating self-support at a lower figure than the $1,300 floor established herein. It would, however, require a much more rigorous investigation and extensive documentation for any individual to demonstrate self-support at a level lower than this figure.

(2) The level of general assistance available to single individuals on the Reservation. This amount is approximately $1,296 per year. In most cases, this is supplemented by food stamps and the receipt of Federal commodities. Individuals who can demonstrate receipt of general assistance would be determined self-supporting.

(3) Single individuals who have received scholarship grants from the Tribe or educational institutions, as long as the grant includes funds for living expenses. In cases where the grants are predicated on the receipt of a certain amount of income from the individual or family which is more than half of the total estimated expenses, this person would not be considered self-supporting.

(4) Individuals who can produce wage statements, W-2 forms, or tax returns showing a consistent level of income in excess of the general assistance level would be considered self-supporting.

(5) Individuals who were still high school students at the time of certification will be scrutinized more closely and will require substantiation of income and independence to rebut the normal presumption of dependence.

(6) In some circumstances, individuals may be able to show that they are self-supporting without the benefit of tax returns and wage statements because of the lifestyle on the HPL. It is common for individuals to make a living from livestock or support themselves through odd jobs throughout the Reservation. The Commission has always considered these factors in its determination of head-of-household status. In most cases, individuals falling into this category are older and engaged in a traditional lifestyle. Those who fall into this category will be considered on the basis of the facts of the case.

Attachment #2

CERTIFICATION REVIEW

Client__________________________ CF#____________ DOB_______________

Date Certified______________ Regs in Effect:— ______1976 ______1980 ______1984

PART I: LEGAL RESIDENCE. Legal residence on the HPL in 1974 is supported by the following documentation:

_____ Listed on JUA roster as HPL resident with dwelling.

_____ Other. Describe:____

PART II: HEAD OF HOUSEHOLD. This applicant's head of household status is supported by the following documentation:

_____ Listed on JUA roster as h/h or spouse.

_____ Family Card listing client as h/h or spouse.

_____ State Marriage License or Tribal Marriage Certificate showing client married prior to date of certification.

_____ Birth Certificate(s) showing client as the parent of dependent children named as household members.

_____ Other. Describe:____

DETERMINATION BY LEGAL COUNSEL

_____ Based upon review of the case file referenced above, I have determined that this applicant was certified in accordance with law and regulation. This case is approved for return to files and continued processing per standard procedures.

_____ Based upon review of the case file referenced above, I have not been able to determine that the applicant was certified in accordance with law and regulation. This case is hereby routed to the E/A Branch for further review. The following documents or substantiating information/documentation is required:

LEGAL RESIDENCE: ____

HEAD OF HOUSEHOLD:____

________________________________ Date_______________

E. Susan Crystal, Legal Counsel

PART III: Eligibility Detail. To be completed by Eligibility/Appeals Supervisor.

A. Information about Parents: Give residence status, CF#, relocation date, other relevant information.

B. Issue: State the issue which requires review. Examine the information in the case file and record the facts directly related to the issue, and the specific document or documents from which the information is taken. DO NOT cite previous eligibility summaries prepared by staff. In your review include relevant dates, activities, amounts of money, etc. as appropriate to the issue.

If there is more than one issue, attach Continuation Sheet.

Issue:______________________________

Fact Document

C. Conclusion: State your conclusion(s) regarding the client's eligibility for all issues reviewed. Explain how you arrived at these conclusion(s).

D. Recommendation:

_____ 1. I have reviewed the information in this case file which relates to the issue(s) of concern to agency Legal Counsel. I have concluded that the information as detailed above supports the original determination of eligibility, and that no additional information is needed about this applicant.

If 1. is checked, sign p. 9 and transmit to Director of Relocation Operations for concurrence prior to final review by agency Legal Counsel.

++++++++++++++++++++++++++

_____ 2. I have reviewed the information in this case file which relates to the issue(s) of concern to agency Legal Counsel. I have determined that further information is necessary before I can make a conclusion about this client's eligibility.

If 2. is checked, complete sections 2.a, 2.b, and p. 7 if applicable.

2.a. Describe information and the type of documentation which is needed and how it will be obtained (field investigation, office conference, letter requesting documents, etc.).

2.b. RESULTS OF FURTHER INVESTIGATION: If additional information is requested under 2.a. place the case on hold for 30 days. After the information has been obtained, or the prescribed time allowance for response has elapsed, complete this section.

Fact ______________________________ Document ______

____

____

CONCLUSION(S): State your conclusion(s) regarding the client's eligibility. Explain how you arrived at these conclusions.

____

____

2.c. I have reviewed the information obtained as the result of further investigation, and I have concluded that:

_____ 2.c.(1). The information as detailed above supports the original determination of eligibility. This case is ready for final review by agency Legal Counsel.

If 2.c.(1) is checked, sign p. 9 and transmit to Director of Relocation Operations for concurrence and final review by agency Legal Counsel.

++++++++++++++++++++++++

_____ 2.c.(2) Based upon review of the information obtained, or client's lack of response to the request for information, I have concluded that the client was not originally certified in accordance with law and regulation. Depending upon the issue under consideration, a recertification review should be conducted.

RESIDENCE: If the issue was residence, no further review by the E/A Branch is needed. Sign and transmit to the Director of Relocation Operations for concurrence and review by agency Legal Counsel.

HEAD OF HOUSEHOLD: If the issue was head of household, complete p. 7.

RECERTIFICATION REVIEW (HEAD OF HOUSEHOLD REVIEW)

Before completing this section, refer to the "Criteria for Certification Review".

In order to conduct a recertification review, determine the base recertification review period and enter it below.

1. Check the situation which applies to the client:

____ a. Client's parents received benefits on: (date)________________. Client left HPL before parents received benefits, on (date)______ ____________. The base period is the year preceding the date the client left the HPL.

____ b. Client's parents received benefits on: (date)________________. Client left HPL at time parents left. The base period is the year preceding the date the client left the HPL.

____ c. Client's parents received benefits on: (date)________________. Client left HPL after parents relocated, on (date)________________. The base period is the year prior to the date the client left the HPL.

____ d. Client's parents have not yet relocated. Client left the HPL on ______________________(date). The base period is the year prior to the date the client left the HPL.

____ e. Client's parents have not yet relocated. Client has not moved from the HPL. Base period is the year between 7/8/85 and 7/7/86.

ENTER THE BASE RECERTIFICATION REVIEW PERIOD HERE:____________________

2. After determining the client's base recertification review period, determine if the client met the criteria for self-support during this period.

Fact Document

____

____

Conclusion____

____

____

____

3. If the client was not self-supporting during the base period, determine if any of the following situations apply to the client:

____ a. Client was married on or before the last day of the base period.

Fact Document

____

____

____ b. Client became a custodial parent on or before the last day of the base period.

Fact Document

____

____

____

____ c. Client left the HPL in order to take employment, thus rendering the client self-supporting. It must be shown irrefutably that the client had the job before leaving the partitioned lands. In this case the recertification review period is the year FOLLOWING the date the client left the HPL. Enter the base period here____________.

In this case the E/A Branch will request documents relating to income and employment for the year subsequent to the move from the HPL in order to verify that the client was self-supporting.

Record this information here:

Fact Document

____

____

RECOMMENDATION OF E/A SUPERVISOR:

____ 1. Based upon the analysis above, I have concluded that the client achieved eligibility during the base recertification review period and no decertification should be issued.

____ 2. Based on the analysis above, I have concluded that the client was not eligible at the time of initial determination; and also that the client did not achieve eligibility during the base recertification review period. I recommend that a Notice of Decertification be issued.

Signature________________________________ Date_____________
Joseph Shelton, E/A Supervisor

PART IV

Concurrence by Director of Relocation Operations:

_____ 1. I concur with the recommendations of the E/A Supervisor, and I have directed that the following action take place:

_____ 1.a. The case will be returned to agency Legal Counsel for final review and validation of original certification determination.

_____ 1.b. The case will be returned to agency Legal Counsel for final review and approval of the determination to issue Notice of Denial/Decertification.

_____ 1.c. The case will be returned to agency Legal Counsel for final review and approval of the determination to decertify the client, and validation of recertification based upon recertification review. Documents generated pursuant to this decision will be incorporated into the client case file; no notification will be issued to the client.

_____2. I do not concur with the recommendations of the E/A Supervisor. I have instructed that the following actions occur:

____

____

____

____

Signature________________________________ Date_____________
Paul Tessler, Dir. Reloc. Ops.

PART V Final Review by Agency Counsel

_____ I have reviewed the preceding information and I agree that the client was eligible as of the date of original certification.

_____ I have reviewed the preceding information and I agree that the client was NOT eligible as of the date of original certification. Return case file to Director of Relocation Operations for issuance of Notice of Denial/Decertification.

_____ I have reviewed the preceding information and I agree that the client was not eligible as of the date of original certification, but had attained eligibility as of the date specified for the eligibility review year.

Signature____ Date_____________
E. Susan Crystal, Legal Counsel

Continuation Sheet. Client____________________ CF#__________

Issue: State the issue which requires review. Examine the information in the case file and record the facts directly related to the issue, and the specific document or documents from which the information is taken. DO NOT cite previous eligibility summaries prepared by staff. In your review include relevant dates, activities, amounts of money, etc. as appropriate to the issue.

Issue:____

____

Fact Document

____

____

____

Summary of Action Taken by the Relocation Commission from July 18 - November 30, 1986 in Response to Recommendations of the Audit Report Prepared by the Office of the Inspector General, Department of the Interior.

A. RELOCATION ELIGIBILITY

1. Auditor's Recommendation:

Establish definitive criteria for determining when single individuals are, in fact, self-supporting.

Commission Response:

The Commission concurs with the recommendation. Criteria and procedures will be established by August 30, 1986.

Status:

Development of final procedures is pending results of file audit to be undertaken in response to Relocation Eligibility audit recommendation #2.

Discussion:

A set of draft procedures have been developed and distributed for management review. (Exhibit A.1). Following review, it was determined that the issue required further research. Activity to define criteria has been merged with activity under Relocation Eligibility, Audit Recommendation #2.

2. Auditor's Recommendation:

Review current files of certified applicants to determine if proof of residence is based on documented and convincing evidence. If such evidence does not exist, then the applicants should be decertified until evidence is obtained by the Commission or provided by the applicants.

Commission Response:

The Commission will undertake a legal review to determine whether it is possible to de-certify individuals who have been determined eligible by the Commission. The legal review is expected to be completed on September 1, 1986, at which time a determination will be made on how to proceed.

Status:

Final action to accomplish decertification is pending results of the internal file audit, discussed below. In the meantime, no initial determination of eligibility are being issued.

Discussion:

Commission Legal Counsel completed legal review of the issue of decertification of individuals determined eligible for benefits, and submitted a legal opinion with conclusions regarding the legality of such action. (Exhibit A.2). The legal opinion addresses cases of single individuals who may not be self-supporting (Relocation Eligibility Issue #1); individuals lacking documented and convincing evidence of legal residence (Relocation Eligibility Issue #2) and individuals listed as family members in more than one case file (Relocation Eligibility Issue #5b).

Pending internal review of casefiles falling into the questioned categories a hold has been placed on eligibility determinations (EXHIBIT A.2).

The Commission has developed a plan for internal audit of a respresentative sample of case files from the questioned categories. Full file review will take place after the representative audit has been completed, and may be contingent upon the results of the representative audit. (Exhibit A.2).

Prior to action to decertify a currently eligible applicant, Legal Counsel will be requested to advise the Commission on the need to publish regulations authorizing such activity, and the applicant's entitlement to administrative grievance protection. The Commission will issue procedures specifying the actions which will be taken to accomplish decertification.

3. Auditor's Recommendation:

For bonus purposes, review client files to determine if certified applicants had attained head of household status by the application dates. In those instances where differences are noted, the bonus should be recalculated based on the head of household determination date.

Commission Response:

The Commission does not concur since 25 CFR § 700.205(b) provides specifically that the bonus amount is calculated as of the date of the filing of an application for relocation benefits. The Commission will review the regulation and statues to determine if a change is warranted under the law. If the legal review determines that the Commission has the legal authority to change the way bonus payments are calculated, the regulation will be changed. The legal review is expected to be complete on September 1, 1986.

Status:

Legal review to determine if the Commission has the authority to change the way in which bonus payments are calculated - completed.

Discussion:

Commission Legal Counsel has determined that the Commission's regulations regarding calculation of bonus payments are consistent with the enabling legislation, and no justification exists to revise the regulation. (Exhibit A.3).

4. Auditor's Recommendation:

Require the Certifying Officer to review, for sufficiency of evidence, all case files prior to certifying applicants eligible to receive relocation benefits.

Commission Response:

The Commission concurs with the recommendation. The certifying officer has been directed to review the sufficiency of evidence in all cases.

Status: Completed.

Discussion:

Action to accomplish this recommendation was taken at the time of the exit interview.

5. Auditor's Recommendation:

Establish procedures to ensure that (a) any benefit payments to current or former employees are supported by case file documentation that has been reviewed and approved by the Executive Director and/or the Commissioners and (b) the same individuals are not listed as family members or dependents within two or more case files.

Commission Response:

The Commission concurs with the recommendation. Control procedures will be established by August 30, 1986 to insure that the same individuals are not listed within two or more case files. The Executive Director will review all payments to current or former employees.

Status:

a. Benefits paid to current or former employees - completed.

Discussion:

Supervisors who initiate vouchers for disbursement of payments to, or on behalf of clients, have been instructed to assure that the payments have prior approval of the Executive Director before they are transmitted to the Financial Officer for processing (Exhibit A.5).

Status:

b. Procedures to insure that the same individuals are not listed in two or more casefiles - completed.

Discussion:

Procedures have been instituted to ensure that any duplicate listing of family members be resolved before the client is issued the Notice of Benefit Determination . A final check is performed through the automated records system at the time the Relocation Contract is signed. The Contract lists all family members participating in the housing assistance benefit. Any duplicate listing produces an error message which must be resolved before the contract can be executed. (Exhibit A.5).

6. Auditor's Recommendation:

Review the applicable case files for the examples cited above and (a) attempt recovery of any inappropriate payments or (b) rescind the certification of eligibility if final payments have not been made.

Commission Response:

The Commission will undertake a legal review to determine if it is possible to decertify or attempt recovery of inappropriate payments. Legal review is expected to be completed on September 1, 1986 at which time a decision will be made on how to proceed.

Status: Legal review has been completed.

Discussion:

See the response to Audit Recommendation #2. Counsel's conclusions regarding recovery of inappropriate payments is incorporated into the referenced legal opinion (Exhibit A.2).

B. PROCUREMENT

1. Auditor's Recommendation:

Seek Departmental assistance to obtain, by detail, the services of procurement individuals that have experience with the FAR and can assure future compliance with these regulations.

Commission Response:

The Commission has already taken two major steps. The agency's Contracting Officer and the Grants and Contract Administrator both attended in May, 1986, an intensive three week seminar covering the provisions of the Federal Acquisition Regulations as well as the Competition in Contracting Act. Additionally, the Commission has obtained points of contact at the FAR Secretariat for consultation and if necessary, actual document review for complex procurement actions. The Commission will also make arrangements for a periodic review of randomly selected procurements by personnel at the Secretariat. The agency will insure that its contracting personnel continue to attend appropriate contracting courses designed to maintain and enhance their level of expertise.

Status:

a. Training of Procurement Staff - Basic procurement and contracts administration training have been completed.

Discussion:

In addition to the comprehensive three week seminar attended by the Director of Management and the Grants/Contracts Administrator (Exhibit B.1) ten Commission staff attended a three day seminar which covered COTR responsibilities. (Exhibit B.1). Furthermore, in anticipation of the necessity to enhance the expertise of the staff and to keep current in the procurement field, the Commission's Personnel Officer has developed a plan for ongoing training of procurement staff. Two staff members have been scheduled for training within the next 60 days. The training plan will ensure that all staff with procurement responsibilities will be able to perform their jobs effectively, efficiently and in accordance with the FAR. (Exhibit B.1).

Status:

b. Periodic Review of Randomly Selected Procurement by Personnel at the FAR Secretariat - Arrangements have been completed.

Discussion:

Commission staff contacted the FAR Secretariat, specifically, the Office of Acquisition Management and Contract Clearance, and reached an agreement whereby that office would review, at a minimum, a random, representative, sampling of NHIRC procurements. The Executive Director and the Director of Management met with the Director of the OAMCC and other staff in Washington, D.C. on 9/10/86 to finalize these arrangements. There was also discussion about OAMCC providing site management assistance reviews for the Commission, but these arrangements remain to be finalized. (Exhibit B.1).

2. Auditor's Recommendation

Cancel the cost-plus-percentage-of-cost and excessive profit provisions of the contract with Vendor No.706.

Commission Response:

The Commission does not agree that the contract with Vendor No. #706 was a cost plus percentage of cost contract. The agreement was written as a time and materials contract (Article III, Paragraph 2, of original agreement to furnish services). The Commission does concur in the auditor's finding that the statutory fee limitation was exceeded, due to our lack of awareness of this provision. However, since the original agreement was not as clear as it might have been, the Commission has already modified the agreement. The new agreement clearly identifies the contract as a cost plus fixed fee agreement and the Commission will not exceed the statutory maximum of ten percent fee for any task orders issued under this contract.

Status:

Completed.

Discussion:

The Office of Inspector General considers this matter resolved, as indicated in the final audit report, page 29, based on the Commission's amendment of the original contract. (Exhibit B.2).

3. Auditor's Recommendation

Take action to assure that no lobbying and job seeking services are performed under the contract with Vendor No. 11.

Commission Response:

All future contracts which may be subject to this problem will include a specific prohibition against prohibited activities, to guard against any possible misunderstandings. However, the Commission feels that the allegation that lobbying occurred under this contract is open to interpretation, and that the vendor was actually engaging in legitimate legislative liaison activities.

Status:

Completed.

Discussion:

Several actions have been taken in response to this audit finding. Prior to the release of the final audit report, the vendor had formally withdrawn affidavits filed in error by the vendor's clerical personnel. Furthermore, the Commission's Management Analysis Branch has developed a Procurement Procedures Manual which stipulates that the Contracting Officer will review each proposed contract to determine if potential problems and/or misunderstanding may exist. Depending on the nature of the potential problem, the Contracting Officer will discuss the issues with the Contractor and will also insert a clause in the contract which clarifies legal vs. illegal activities. (Exhibit B.3).

4. Auditor's Recommendation:

Require a formal record to be prepared to document the services contractors are directed to perform when services are allowed to be initiated upon verbal direction.

Commission Response:

Clear and concise internal procedures for all procurement activities will be written by the agency's Management Analysis Branch which will clarify a variety of responsibilities and authorities in the contract requesting, awarding, and monitoring areas. The procedures will specify that any contract allowing verbal direction will require the COTR to document such verbal direction in writing to the Contracting Officer within an appropriate, specified period of time.

Status:

Completed.

Discussion:

The Procurement Procedures manual includes a procedure whereby any verbal direction given by a COTR or other procurement official to a contractor shall be documented by a letter to the Contractor within two working days. The letter shall describe in detail the verbal directions and shall request that the contractor submit a written estimate of changes in the contract price, if any. The Contracting Officer retains the authority to approve/disapprove any changes in the contract. (Exhibit B.4).

In a letter dated July 9, 1986 the Contracting Officer notified Vendor No. 11 of the above requirements. (Exhibit B.4). In the future, all contracts will be subject to this procedure.

5. Auditor's Recommendation

Require the Contracting Officer or the Contracting Officer's technical representative to review all contract invoices prior to making payments to the vendors.

Commission Response:

The Commission's procedure for COTR or Contracting Officer approval of contract invoices may have been rendered less than effective due to a lack of federal contracting experience on the part of the COTR's. On-site training in contract monitoring/administration will be provided for COTR's by November 30, 1986. Additionally, effective immediately, a COTR letter of instruction will be issued concurrent with contract issuance and the COTR will be required to sign-off acknowledging his/her responsibilities.

Status:

a. COTR Training - Completed on 11-14-86.

Discussion:

Action taken is described in B.1 above.

Status:

b. COTR Instructional Letter - Completed in August, 1986.

Discussion:

The letter fully described the COTR's authority and scope of responsibility. The COTR is required to sign a concurrence copy of the letter and return it to the Contracting Officer. (Exhibit B.5).

Status:

c. Contracting Officer/COTR Approval of Invoices - Completed.

Discussion:

A COTR monthly contract status report form was developed and was implemented in October, 1986. The procedure requires the COTR to make a written progress report on the form and to recommend for or against payment of the invoice which is to be attached to the report. Approvals by the Administrative Contracting Officer and the Contracting Officer (unless delegated) are further required before payment may be issued. (Exhibit B.5).

6. Auditor's Recommendation

Recover the disallowed costs from Vendor No. 13 ($9,603) and Vendor No. 11 ($1,553).

Commission's Response:

The Commission concurs in the recommendation that all inappropriate costs should be recovered. However, before concurring in the amounts recommended, the Commission requests the working papers of the audit team in order to conduct our own audit on these specific matters and arrive at a final amount to be recovered.

Status:

c. Vendor No. 13 - The amount to be recovered is $3,049.20. Payment has not been received.

Discussion:

Justification and documentation submitted by the vendor on 9-11-86 have decreased the amount to be recovered to $3,049.20. (Exhibit B.6) The Commission has throughly analyzed the documentation provided by the vendor and has determined that the vendor's explanation is sufficient to warrant recovery of the reduced amount. It is anticipated that arrangements for repayment will be made by January 1, 1987.

Status:

b. Vendor No. 11 - Completed.

Discussion:

Vendor No. 11 repaid the full Commission the amount of $1,552.76 as called for in the audit by check dated August 12, 1986. This figure was derived from the audit team's working papers and was agreed to by the Vendor. (Exhibit B.6).

C. HOUSING REPAIR PROGRAM

Auditor's Recommendations

We recommend the Commission develop program procedures which, as a minimum, require written justification for any repairs in excess of those identified by the inspectors. These justifications, in turn, should be reviewed by management to ensure propriety and applicability to the stated program objectives.

Commission Response:

The Commission concurs with this recommendation. Procedures will be established by August 30, 1986.

Status:

Completed.

Discussion:

The housing repair program has been restructured. Procedures and forms have been developed and approved and the program is operational according to established guidelines (Exhibit C). All items requiring repair will be justified in the initial inspection report and reviewed and approved by the Commission.

D. OTHER ADMINISTRATIVE ACTIVITIES

Personal Property

1. Auditor's Recommendation:

Take action to establish an effective personal property management system. Adoption of a system, such as that detailed in 41 CFR 114-60, will help ensure that property is protected, preserved, and used only for official purposes.

Commission Response:

The Commission has already been in the process of attempting to establish an effective personal property management system for some time. The agency's Supply Technician was recently sent to Governmental training in personal property management regulations and procedures and at this point in time has completed entering all of the agency property data into the computerized system. Proper labels have been obtained for marking all agency property and it is anticipated that this activity will be completed by July 15th. Additionally, the Supply Technician has accounted for several items previously unaccounted for. A final property report will be completed by July 30 of 1986 and both regular and periodic, unannounced spot inventories will be conducted as part of the new personal property control procedures.

Status:

a. Personal Property Procedures: - Completed in draft form.

Discussion:

A draft of the Personal Property Procedures Manual was completed on 11-3-86. The manual focuses on the agency's internal policies and procedures but makes specific references to appropriate sections of the Federal Property Management Manual. (See Appendix).

Status:

b. Labeling of Agency Property - Completed.

Discussion:

The agency has an automated asset master inventory system. All assets are properly labeled with Commission property tags. This information is stored in the agency's computer. (Exhibit D.1).

Status:

c. Personal Property Accountability - Completed.

Discussion:

On July 31, 1986 the Supply Technician informed all NHIRC staff of the requirement that each employee must sign a personal property receipt or asset inventory printout acknowledging assignment of and responsibility for items of personal property. Signatures were obtained in August, 1986. (Exhibit D.1).

2. Auditor's Recommendation:

Retrieve all personal property from vendors that are no longer under contract to the Commission.

Commission's Response:

The Commission has already accomplished the retrieval of personal property from several of the vendors who had such property in the past and are either no longer under contract with the Commission or have no further need for the property in question.

Status:

Completed. Only one item cannot be located.

Discussion:

Efforts to retrieve personal property from vendors no longer under contract to the Commission and from former employees of the Commission were highly successful. (Exhibit D.2). Only one item, an IBM typewriter, is still missing, but has been designated as lost or stolen after all avenues to locate it have been exhausted.

3. Auditor's Recommendation:

Dispose of all excess property held by the Commission.

Commission's Response:

The Commission has taken the initial steps to verify the current or immediate future needs for property currently in storage and anticipates taking the appropriate excess property actions by the end of November, 1986.

Status:

Analysis and actions completed.

Discussion:

Many excess items have been transferred to other agencies and some items have been sold to the U.S. Post Service. Other items have been approved by GSA for small lot sales, donation to public bodies, or abandonments or destruction. (Exhibit D.3). The Commission's storage space requirements have been reduced.

4. Auditor's Recommendation:

Develop procedures to ensure that all current and subsequent maintenance agreements apply only to property currently owned by the Commission.

Commission's Response:

The Commissioner does have a procedure for insuring that all maintenance agreement apply only to property currently owned by the Commission. The agreement cited had discrepancies because the Commission had traded several typewriters in on newer models and the serial numbers for the traded items were, therefore, still on the agreement and the numbers for the new items had not been substituted. In the future the procedure will consist of a hands on verification by the Supply Technician of all serial numbers included on maintenance agreements and followed by a mutual inspection of the equipment by both the maintenance provider and the Supply Technician.

Status:

Completed.

Discussion:

The procedure is included in the draft of the Personal Property Procedures Manual. The procedure requires that prior to the execution of a maintenance agreement, the Supply Technician and a representative of the maintenance provider conduct a physical verification of all equipment to be covered by the agreement. Any discrepancies will be resolved at that time. The procedure also requires that the Supply Technician notify the Finance Officer and the Contractor when equipment is to be deleted from the maintenance agreement. (Exhibit D.4).

Employee Travel

5. Auditor's Recommendation:

Provide the necessary training to improve employee and manager knowledge of the Federal Travel Regulations. As an alternative, the Commission might consider processing its travel vouchers through a Departmental Certifying Officer who has the necessary expertise in this area.

Commission Response:

The Commission's travel clerk has attended training and will continue to enhance her expertise in travel regulations by attendance at future classes. Additionally, the travel clerk has established several department contacts to whom she may go with questions regarding travel issues of which she is unsure. The Commission will also formalize arrangements for a periodic review of a random sampling of travel documents by an external federal office.

Status:

a. Periodic review of a random sampling of travel documents by an external federal officer - Arrangements have been completed for review by GSA, Denver Office. The first set of travel documents were sent to GSA for review on 12/2/86.

Discussion:

Documents relating to the arrangements for periodic review by GSA are attached. (Exhibit D.5).

b. Training to improve employee and manager knowledge of Federal Travel Regulations - Training has been conducted for all Commission employees.

Discussion:

The Commission's travel clerk has attended additional training since the auditors pointed out this area of concern, and will attend future training as appropriate. Attendance at training courses is incorporated into the travel clerk's employee development plan.

The travel clerk has conducted in-service training for Commission employees on the new Federal Travel Regulations (Exhibit D5). In addition, she has summarized for staff reference the significant changes in the regulations, particularly as they apply to routine travel undertaken by Commission staff. (Exhibit D.5b-2).

6. Auditor's Recommendation:

Recover the $2,345 in travel payment that exceeded the daily statutory limits and the $300 excess reimbursements paid to the former executive director for travel to Washington, D.C.

Commission Response:

The Commission concurs on the recommendation to recover the travel payments which are made during the period of time that the Commission was operating under a misinterpretation of the travel regulations. The Commission feels that the constructive travel computation made by the auditors in the case of the former Executive Director did not include all pertinent data. It is the Commission's position that when figuring the constructive travel that in addition to the air fare it was appropriate to compute the cost of a rental car and that these combined figures should then be compared to the driving expense not only from duty station to the temporary duty station but the reduced driving expenses at the temporary duty station as a result of the traveler having his own private vehicle. The Commission, therefore, proposes to present the facts of this case to GAO for an interpretation by 8/30/86. Should GAO concur with the auditors findings, however, the Commission will then take the necessary action to recover any excess reimbursement.

Status:

a. Recovery of travel payments exceeding the statutory limit - Payment has been recovered from five of the seven employees. The other two employees have made partial payments, and are in the process of arranging full repayment of the amounts owned.

Discussion:

Correspondence issued to the affected employees is attached (Exhibit D.6).

b. Constructive travel computation for use of personally owned vehicle by former executive director - Repayment is pending.

Discussion:

Research of GAO opinions by the Commission fiscal officer has revealed that rulings have been issued for travel of the type performed by the former executive director. Therefore, the Commission has not requested the Comptroller General to issue a decision on the case. The former executive director has been notified of the amount of repayment due from reconstructed travel costs computed by the auditors. As the former executive director has not yet submitted the repayment, the Commission will contact him again. (Exhibit D.6)

7. Auditor's Recommendation:

Restrict the use of first-class air travel in accordance with existing regulations.

Commission Response:

The Commission concurs with this recommendation and has already taken steps to restrict first-class air travel. First-class air fare will only be approved by the Chairman of the Commission.

Status:

Completed

Discussion:

The Chairman of the Commission has delegated authority to the Executive Director to approve first-class travel under limited circumstances, pursuant to Federal Travel Regulations (Exhibit D.7).

8. Auditor's Recommendation:

Cancel the per diem instruction which authorizes employees to be reimbursed more than the daily fixed amount of $23.

Commission Response:

Prior to completion of the audit, and in direct response to the auditor's concerns, the Commission took the necessary action to cancel authorization for reimbursement in excess of the daily fixed amount of $23.00 for all per diem claims.

Status:

Completed

9. Auditor's Recommendation:

Reduce the inventory of Government transportation requests and establish inventory controls over any of these forms that are retained for future use.

Commission Response:

The Commission concurs in this recommendation. All GTRs have been properly secured at this point in time and the Commission is in the process of determining the proper course of action for returning the majority of these accountable forms. The Commission's only current need for GTRs, as a result of GSA's contact with Arizona International Travel, is for emergency purposes and one monthly GTR number to AIT for all travel services which they perform for the Commission. All unnecessary GTRs will be returned to the appropriate office not later than 9/30/86.

Status:

Completed (Exhibit D 9).

10. Auditor's Recommendation:

Recover the outstanding travel advances from all personnel not considered to be on "continuous travel status."

Commission Response:

The Commission concurs in this recommendation and will perform the necessary review by the end of this fiscal year. All inappropriate travel advances will be recovered by 9/30/86.

Status:

One staff member has been determined to be on "continuous travel status". The other six employees who had outstanding travel advances at the time of the audit have been notified that they must repay the advance. Of the six employees, three have repaid the advance in full, and the other three are currently making payments by cash or by application of travel expenses. (Exhibit D 10).

11. Auditor's Recommendation:

Recover the unauthorized payment of $5,189 provided for reimbursement of real estate expenses at a temporary duty station.

Commission Response:

The Commission also feels that this item warrants a ruling at a higher level. The employee in question was in fact on an indefinite detail and had reason to anticipate that the duration could be extensive. His move from Washington to Flagstaff was temporary in nature and no real estate charges were paid. However, his return from Flagstaff to Washington was clearly permanent. Additionally, the detail was cancelled for the convenience of the government not the convenience of the employee and the Commission believes there is a reasonable basis for construing the appropriate relocation regulations as allowing this payment. Finally, it must be noted that the employee in question acted in good faith upon a travel authorization executed by the Director of the agency and therefore, incurred real estate costs which he might not otherwise have incurred. The Commission therefore, proposes to submit the facts of this case to GAO for a ruling by 8/30/86 and will respond in accordance with their final determination.

Status:

The Commission has submitted the facts in the case to GAO, which has responded that an opinion will be issued within 3 months, (i.e. by 2/1/87). (Exhibit D.11).

Motor Vehicle Management

12. Auditor's Recommendation:

Strictly adhere to FPMR leasing procedures (41 CFR 101-39.6) in meeting any future requirements for motor vehicles.

Commission's Response:

The Commission concurs in this recommendation. All full time vehicle dispatch needs will be satisfied through the GSA Motor Pool. In point of fact, the availability of GSA vehicles combined with the Commission's planning and enhanced relationships with the Holbrook Motor Pool had already resulted in the determination that no commercially leased vehicles would be needed in the future.

Status:

Completed.

Discussion:

All commercial leases for vehicles were cancelled prior to the release of the final audit report.

13. Auditor's Recommendation:

Ensure that vehicle usage records for all vehicles are established to meet the requirements of 41 CFR 101-38.1.

Commission's Response:

The Commission concurs in this recommendation. A draft vehicle requisition form has been developed and the Commission is in the final stages of establishing a formalized dispatch procedure. These procedures will be in accordance with the requirements of 41 CFR 101-38.1.

Status:

Completed.

Discussion:

This procedure was issued in the form of an instructional memo on 11-24-86. The procedure requires the traveler to record his/her beginning and ending mileage, the destination and the purpose for travel for each leg of the trip. An optional vehicle request form is available for reserving a vehicle in advance of the trip. The Supply Technician will maintain individual usage files on each vehicle. (Exhibit D.13).

14. Auditor's Recommendation:

Rescind the authorization allowing the use of Government vehicle for employee travel between residence and worksite.

Commission's Response:

The Commission will provide for an alternative approach for reimbursing the responding official for travel expenses and time (i.e. mileage claim and compensatory or overtime as appropriate).

Status:

Completed.

Discussion:

An instructional memo was issued on 8-13-86 which revoked all outstanding authorizations for employees' using a Government vehicle to travel to and from work. The memo also instruced employees to obtain permission to park a Government vehicle at their residence overnight only under exceptional circumstances and in the interest of the Government. (Exhibit D.14).

Imprest Fund

15. Auditor's Recommendation:

Perform unannounced cash verifications of the imprest fund in accordance with Department of Treasury instructions.

Commission's Response:

The Commission concurs in this recommendation and will perform unannounced cash verifications of the Imprest Fund in the future.

Status:

Completed.

Discussion:

Unannounced audits of the imprest fund are now being made at least quarterly by the Finance Officer. (Exhibit D.15).

16. Auditor's Recommendation

Reduce the amount of imprest fund to $900 unless a higher amount can be specifically justified.

Commission's Response:

The Commission will review the Imprest Fund amount for both an average monthly demand and high monthly demand in order determine whether the current imprest balance is justified. The Commission will take the necessary action to accomplish such a reduction if appropriate no later than 9/30/86.

Status:

Completed.

Discussion:

After thorough analysis of the imprest fund activity from 1975 to the present, the Commission's Finance Officer has been determined that the established amount of $2,500 in the imprest fund should be maintained. (Exhibit D.16).

17. Auditor's Recommendation:

Require all receipts and invoices to be cancelled or marked "paid" immediately upon receipt.

Commission's Response

The Commission does in fact have a requirement for cancelling imprest invoices immediately upon payment. The necessary supervisory actions will be taken to ensure that this requirement is adhered to consistently in the future.

Status:

Completed.

Discussion:

An instructional memo from the Finance Officer to the imprest fund cashiers was issued on 7-31-86 reminding them to cancel all invoices immediately on payment. (Exhibit D.17).

18. Auditor's Recommendation

Require all advances of imprest funds to be documented by formal receipts provided to the cashier.

Commission's Response:

The Commission does have a requirement that all advances of imprest fund be documented by formal receipts provided to the cashier. The Commission will take the necessary supervisory action to ensure that this requirement is adhered to in the future.

Status:

Completed.

Discussion:

By his instructional memo of 7-31-86, the Finance Officer reminded the imprest fund cashiers of the requirement that all advances from the imprest fund must be documented by formal receipts provided to the cashier. (Exhibit D.18).

19. Auditor's Recommendation

Report all imprest fund shortages in accordance with established requirements.

Commission's Response:

The Commission will take the appropriate action to report all imprest fund shortages in accordance with established requirements in the future.

Status:

Completed.

Discussion:

The Finance Officer gave formal instructions to the imprest fund cashiers by memo dated 7-31-86 that all shortages in the fund must be reported in accordance with Department of Treasury procedures. (Exhibit D.19).

MEMORANDUM FROM E. SUSAN CRYSTAL, NAVAJO AND HOPI INDIAN RELOCATION COMMISSION

March 18, 1987

MEMORANDUM TO: The Record

FROM: E. Susan Crystal Sue

SUBJECT: Certification Criteria Contained in Letter to Interior PBA

On Monday, March 9th, pursuant to direction from Chris, I contacted both Hawley and Sandy about the letter that was being sent to PBA in response to the last two audit items that were remaining. I explained that we were eliminating the automatic presumption of head-of-household status as of the date people reached 18. Sandy noted the change and did not raise any point of disagreement. With Hawley, I discussed the general criteria and he expressed no disagreement.

OBLIGATIONS AND PAYMENTS TO

VENDOR NO. 11 - FRED CRAFT

THROUGH MAY 14, 1987

FISCAL YEAR	OBLIGATION	PAID
1982	$ 6,394.69	$ 6,394.69
1983	66,477.54	66,477.54
1984	53,902.98	53,902.98
1985	106,783.09	106,783.09
1986	120,000.00	117,428.82
1987	70,000.00	29,287.09
TOTAL	$423,558.30	$380,274.21

LETTER FROM GERALD R. RISO, ASSISTANT SECRETARY—POLICY, BUDGET AND ADMINISTRATION

FEB 20 1987

Mr. Ralph A. Watkins, Jr.
Chairman, Navajo & Hopi Indian Relocation Commission
Flagstaff, Arizona 86002

Dear Mr. Watkins:

Please recall my August 8, 1986 letter to you, wherein I notified you that the 1987 Interior appropriation bill contained language requiring my report to the Congress on the Commission's implementation of corrective actions taken on the Inspector General's audit report. I received your September 8, 1986 assurance that the Commission was acting to implement these actions.

Mr. McAlister has kept us informed of progress being made by the Commission on each action I am obligated to follow. With the exception of two recommendations on relocation eligibility, I am satisfied that the Commission is concluding its implementation responsibilities. But the key issue in the audit report is relocation eligibility.

The auditors recommended that the Commission establish definitive criteria for determining when single individuals are, in fact, self-supporting. The Commission concurred and agreed to do so by August 30, 1986. I have no evidence showing that the action has been accomplished. I understand that draft procedures have been developed, yet the Commission has neither completed the task nor attempted to renegotiate the action with the Inspector General.

The auditors also recommended that the Commission assure that adequate evidence exists to support certifications already made. If it is not there, the auditors said the individual should be decertified. The Commission agreed to complete a legal determination by September 1, 1986 which would guide any subsequent decertification activities that the Commission would take. The review was completed on September 12, 1986, and concluded that the Commission should not decertify on the basis of insufficient evidence. Monthly status reports received from Mr. McAlister indicate that the Commission has initiated an internal review of eligibility determinations, to be followed by a full file review and a legal review of the need to publish regulations before action is taken to accomplish decertification.

Given the substantial departure from actions having been agreed upon at the time of the audit, I recommend that you formally notify the Western Regional Audit Manager of your inquiries, findings and actions taken on these two significant recommendations. I recommend that you seek his concurrence with the Commission's actions and negotiate a revised implementation plan for these two recommendations, alone.

By copy of this letter, I am requesting the Regional Audit Manager's cooperation toward concluding this matter in a manner that will be satisfactory to the Congress.

Sincerely yours,

Gerald R. Riso
Assistant Secretary - Policy,
Budget and Administration

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
1697	Ahasteen, Jim	SC	C	0/00/00		0/00/00		C	12,265.00
186	Ahkeah, Rosalie	PM	C	79/09/28		0/00/00			3,987.50
22	Albert, Annie P.	PM	C	78/04/19		0/00/00			3,984.00
380	Alcott, Garnett	SC	C	0/00/00		0/00/00		S	3,785.00
1233	Allen, Jennie	S2	C	0/00/00		0/00/00	N	X	17,710.00
38	Altsisi, Eula	PM	C	77/06/21		0/00/00			1,585.00
479	Altsisi, Mary G.	S2	C	0/00/00		0/00/00		S	15,338.00
1828	Altsisi, Phillip D.	SC	C	0/00/00		0/00/00		S	18,225.00
113	Anderson, Kee	SC	C	0/00/00		0/00/00			8,753.00
1551	Armboy, Sarah D.	PM	C	86/03/04		0/00/00			2,660.00
616	Arthur, Hope S.	CL	C	83/08/03	1	0/00/00			15,379.00
1663	Arviso, Ella	CL	C	84/05/11	1	0/00/00			5,514.00
939	Askodi, Vera	PS	C	0/00/00		0/00/00		S	7,123.80
51	Attakai, Andrew C.	PM	C	79/08/28		0/00/00			19,001.00
115	Attakai, Della	PM	C	80/08/11		0/00/00			2,842.00
1719	Attakai, Hazel L.	CS	C	0/00/00		0/00/00		S	5,593.00
1807	Attakai, Joletta R.	CL	C	81/10/16	1	0/00/00			1,105.00
30	Attakai, Kee Joe	CL	C	83/02/25	1	0/00/00			10,888.00
2	Attakai, Miller	SC	C	0/00/00		0/00/00		C	38,444.00
967	Attakai, Phillip D.	SC	C	0/00/00		0/00/00		C	3,626.00
1611	Attakai, Roger	IN		0/00/00		0/00/00			18,486.00
356	Attakai, Roy	CL	C	81/11/16	1	0/00/00			13,893.00
1739	Attakai, Shorty Kee	S2	C	0/00/00		0/00/00	N		14,145.00
1729	Attakai, Wanda J.	SC	C	0/00/00		0/00/00			2,530.00
287	Ayzie, Nellie	CL	C	79/04/25	1	0/00/00			115.00
1354	Babbitt, George K.	PM	C	85/04/23		0/00/00		S	8,731.00
481	Badoni, Fannie Y.	PM	C	86/11/06		0/00/00		P	21,684.00
1232	Badoni, Jacal	SC	C	0/00/00		0/00/00		S	12,637.00
655	Badoni, Mary	CS	C	0/00/00		0/00/00			3,718.00
399	Bahe Sr., Kee	PM	C	84/09/10		0/00/00			15,934.00
318	Bahe, Jesse	PM	C	82/08/16		0/00/00			300.00
1488	Bahe, Joe	SC	C	0/00/00		0/00/00			17,502.00
911	Bahe, Louise Begay	SC	C	0/00/00		0/00/00		C	9,110.92
25	Bahe, Perry	CL	C	82/10/13	1	0/00/00			18,179.00

CLIENT MASTER/MEMBER FILE

Appraisals! All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
31	Bahe, Stella	FM	C	77/06/24		0/00/00			2.272.00
753	Bahe, Steven	SC	C	0/00/00		0/00/00		P	12.364.70
1539	Bahe, Virginia	SC	C	0/00/00		0/00/00		C	10.595.00
961	Barlow, Billy	HS	C	0/00/00		0/00/00			6.941.00
303	Barlow, Harry	SC	C	0/00/00		0/00/00	N		3.650.00
962	Barlow, Sallie	SC	C	0/00/00		0/00/00		Y	500.00
2161	Barton, Marie Begay	FM	C	86/04/04		0/00/00			4.804.00
78	Bedoni, Lena	CL	C	80/01/11	1	0/00/00			1.911.00
1917	Bedonie, Darrell	DA	D	0/00/00		0/00/00			2.373.00
999	Bedonie, Ella L.	SC	C	0/00/00		0/00/00	N		4.324.84
619	Bedonie, Eugene F.	SC	C	0/00/00		0/00/00		C	206.00
620	Bedonie, Lorenzo	CL	D	0/00/00	5	0/00/00			4.601.00
1617	Bedonie, Loretta Mae	CL	C	83/07/14	1	0/00/00			5.695.00
810	Bedonie, Pauline M.	FM	C	84/12/14		0/00/00		S	5.138.00
1816	Bedonie, Thomas	SC	C	0/00/00		0/00/00		P	15.069.00
710	Beetso, Mary	FS	C	0/00/00		0/00/00		S	30.842.50
857	Begay Sr., Robert	S2	C	0/00/00		0/00/00		S	190.00
854	Begay, Anita	SC	C	0/00/00		0/00/00		S	3.226.00
1191	Begay, Anna H.	S2	C	0/00/00		0/00/00		S	7.075.00
1832	Begay, Ason Bahe	FM	C	86/07/17		0/00/00		C	2.590.00
1068	Begay, Augusta Ann	CL	D	0/00/00	2	0/00/00			1.530.00
610	Begay, Baheshone	SC	C	0/00/00		0/00/00		S	13.658.00
940	Begay, Bernice	SC	C	0/00/00		0/00/00		P	8.645.80
536	Begay, Betty B.	SC	C	0/00/00		0/00/00		C	2.843.11
34	Begay, Bitsilakai	FM	C	83/06/24		0/00/00			5.930.00
1736	Begay, Bobby	SC	C	0/00/00		0/00/00		S	3.292.00
2155	Begay, Christine K.	CL	D	0/00/00	2	0/00/00			3.429.00
537	Begay, Claw N.	SC	C	0/00/00		0/00/00		S	6.984.50
355	Begay, Dale	CL		0/00/00	5	0/00/00			2.716.40
228	Begay, Danny R.	CL	C	80/05/22	J	0/00/00			5.875.00
598	Begay, Della	CL	C	82/08/16	1	0/00/00			3.395.00
1067	Begay, Desbah H.	CL	C	84/05/11	1	0/00/00		S	8.455.00
1154	Begay, Dorothy	CL	C	84/01/27	1	0/00/00			18.049.00
1219	Begay, Ella H.	SC	C	0/00/00		0/00/00		P	19.665.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
1618	Begay, Etstoney	SC	C	0/00/00		0/00/00	N	S	10.621.00
1910	Begay, Etta Rose	CL	C	82/11/05	1	0/00/00			19.930.00
1512	Begay, Eugene	CL	C	84/06/20	1	0/00/00			163.14
1873	Begay, Eva Marie	SC	C	0/00/00		0/00/00			12.547.00
730	Begay, Frank E.	CL	C	79/08/11	1	0/00/00			2.776.00
1053	Begay, Gene S.	SC	C	0/00/00		0/00/00	N		4.187.52
294	Begay, Gloria	CL	C	81/05/11	1	0/00/00			13.040.00
116	Begay, Guy	DA	D	0/00/00		0/00/00			25.885.70
1121	Begay, Harry	SC	C	0/00/00		0/00/00		S	19.438.00
76	Begay, Harry J.	CL	C	79/06/22	H	0/00/00			11.148.00
1075	Begay, Harry L.	SC	C	0/00/00		0/00/00			1.844.00
33	Begay, Harry Nez	SC	C	0/00/00		0/00/00	N	S	29.794.20
2541	Begay, Haskey	CL	C	83/03/07	1	0/00/00			9.250.00
489	Begay, Henry	CL	C	83/08/15	1	0/00/00		P	20.321.00
183	Begay, Hosteen Nez	IN		0/00/00		0/00/00			5.079.00
2141	Begay, Howard	FM	C	84/09/23		0/00/00		S	9.881.00
1464	Begay, Howard T.	SC	C	0/00/00		0/00/00		P	12.304.00
618	Begay, Irene Annie	FM	C	84/04/11		0/00/00			9.287.00
6	Begay, James	CL	C	80/08/18	1	0/00/00			9.983.00
1621	Begay, James	SC	C	0/00/00		0/00/00		S	13.239.00
691	Begay, Jean Y.	S2	C	0/00/00		0/00/00		S	8.080.00
227	Begay, Jim Kaye	SC	C	0/00/00		0/00/00			5.209.00
81	Begay, Joe C.	CL	C	84/05/24	1	0/00/00		S	8.455.00
182	Begay, Joe Hosteen	CL	D	0/00/00	2	0/00/00			1.170.50
1056	Begay, Joe Smith	FM	C	86/06/10		0/00/00			2.472.50
562	Begay, John Lee	SC	C	0/00/00		0/00/00		C	6.554.00
1560	Begay, John Lee	SC	C	0/00/00		0/00/00		S	22.065.00
429	Begay, John T.	SC	C	0/00/00		0/00/00			6.006.00
554	Begay, Johnny	FM	C	87/04/10		0/00/00		S	6.195.00
564	Begay, Lola Tso	FM	C	86/02/14		0/00/00			2.600.24
54	Begay, Louis	FM	C	78/05/10		0/00/00			17.053.00
1929	Begay, Louise A.	CL	C	84/02/27	1	0/00/00			3.227.00
103	Begay, Louise Jane	CL	C	79/12/05	1	0/00/00			4.733.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
991	Begay, Lula H.	SC	C	0/00/00		0/00/00			2.664.00
337	Begay, Mae	PM	C	85/11/21		0/00/00		S	14.248.24
2085	Begay, Marie J.	SC	C	0/00/00		0/00/00		S	18.922.00
1975	Begay, Marie Willie	DA	D	0/00/00		0/00/00			17.603.41
643	Begay, Mark	CL	C	81/06/22	1	0/00/00			28.999.00
1021	Begay, Martha	CL	C	81/01/30	1	0/00/00			8.649.00
1220	Begay, Mary	SC	C	0/00/00		0/00/00	N		3.109.20
1218	Begay, Mary Ann	CS	C	0/00/00		0/00/00			1.643.00
1742	Begay, Mary Betty	SC	C	0/00/00		0/00/00			16.953.00
1969	Begay, Mary Rose	CL	C	0/00/00	B	0/00/00		P	5.209.00
1305	Begay, May John	PM	C	83/12/23		0/00/00			87.56
345	Begay, Nakai Denet	CL	C	79/12/07	H	0/00/00			32.555.00
576	Begay, Pauline Yazzie	SC	C	0/00/00		0/00/00		C	14.995.00
329	Begay, Peter	PM	C	84/07/05		0/00/00		S	8.371.00
1240	Begay, Priscilla Y.	SC	C	0/00/00		86/08/21	Y	Z	12.359.00
806	Begay, Ralph	CL	C	78/12/06	H	0/00/00			17.353.00
1135	Begay, Raymond	PM	C	79/09/13		0/00/00			1.825.00
1452	Begay, Ruby	SC	C	0/00/00		0/00/00		C	15.074.73
1903	Begay, Ruth Ann	CL	C	84/03/09	1	0/00/00			11.478.00
1	Begay, Ruth L.	PM	C	78/05/10		0/00/00			3.458.00
908	Begay, Stanley	PM	C	84/07/05		0/00/00		S	13.707.00
902	Begay, Stella	S2	C	0/00/00		0/00/00		S	14.270.00
689	Begay, Tillie	CL	C	83/07/20	1	0/00/00			17.777.00
1173	Begay, Tohonnie	SC	C	0/00/00		0/00/00		C	5.672.49
1646	Begay, Tohonnie	SC	C	0/00/00		0/00/00			10.315.00
180	Begay, Tolie	PM	C	79/12/07		0/00/00			7.265.00
59	Begay, Vincent W.	PM	C	84/11/20		0/00/00	N		8.606.25
37	Begay, William	CL	C	79/11/13	1	0/00/00			11.336.00
1274	Begay, Willie Kescoll	CL	C	82/11/30	1	0/00/00			8.196.00
642	Begay, Zonnie	CL	C	81/08/28	1	0/00/00			5.121.00
1223	Begishe, Laverne	CS	C	0/00/00		0/00/00		C	6.607.00
863	Begody, Johnny	SC	C	0/00/00		0/00/00			4.525.00
334	Begody, Kee	SC	C	0/00/00		0/00/00		S	7.877.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
895	Begody, Louise	SC	C	0/00/00		0/00/00		S	25.137.00
526	Begoody, Mary Tsosie	PM	C	85/12/20		0/00/00		S	6.737.40
1501	Belin, Ruby	PM	C	86/03/07		0/00/00		X	8.547.00
2288	Belone, Charles	CL	C	82/03/15	1	0/00/00			6.453.00
1070	Belone, Nita Rose	PM	C	85/09/27		0/00/00			2.555.00
1221	Ben, Ruth Tom	SC	C	0/00/00		0/00/00		S	7.317.28
889	Benally, Betty Ann	PM	C	86/10/15		0/00/00			245.00
1411	Benally, Harry	S2	C	0/00/00		0/00/00			1.834.27
467	Benally, Jennie	SC	C	0/00/00		0/00/00			6.767.00
120	Benally, Jim	CS	C	0/00/00		0/00/00			1.542.00
1581	Benally, John K.	IN		0/00/00		0/00/00			5.788.00
741	Benally, June	PM	C	86/01/30		0/00/00		C	10.523.00
2089	Benally, June Bob	CL	C	83/06/24	1	0/00/00			4.675.00
661	Benally, June R.	SC	C	0/00/00		0/00/00		S	22.134.00
119	Benally, Katenay	SC	C	0/00/00		0/00/00		C	21.519.90
617	Benally, Louise K.	CL	C	84/06/13	1	0/00/00		S	8.501.00
1652	Benally, Neschili D.	S2	C	0/00/00		0/00/00		P	9.853.00
2213	Benally, Seehee	CL	C	83/07/12	1	0/00/00			11.939.00
121	Benally, Tom Y.	HS	C	0/00/00		0/00/00			4.651.10
721	Benton, Marie Begay	CL	C	80/11/21	1	0/00/00			1.868.00
662	Bigman, Eddie	SC	C	0/00/00		0/00/00		S	13.019.00
2091	Billie, Sam	CL	C	84/01/10	1	0/00/00			20.800.00
354	Billy, John	PM	C	79/08/01		0/00/00			24.007.00
10	Bitah, Betoney	SC	C	0/00/00		0/00/00		S	21.919.00
656	Bitsi, Clizzy T.	SC	C	0/00/00		0/00/00		C	36.656.00
1033	Bitsi, Genevieve	PS	C	0/00/00		0/00/00		S	2.772.70
1415	Bitsi, Mary Hascon	SC	C	0/00/00		85/01/24	Y	X	4.874.00
332	Bitsui, Glonzine	CL	C	82/07/30	1	0/00/00			13.170.00
405	Bizardi, John	PS	C	0/00/00		0/00/00		C	18.873.00
88	Black, Louise White	SC	C	0/00/00		0/00/00		S	7.213.82
11	Blackgoat, Roberta	SC	C	0/00/00		0/00/00		C	15.575.30
539	Blackhorse, Carol	SC	C	0/00/00		0/00/00		C	8.697.00
665	Blackrock Sr., Clarence	SC	C	0/00/00		0/00/00		C	17.570.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
1601	Bob, Alta	HS	C	0/00/00		0/00/00		C	17.813.00
12	Brady, Alta A.	CL	C	81/01/16	1	0/00/00			3.463.00
1117	Brown, Katherine	CL	C	83/08/09	1	0/00/00			5.526.00
713	Brown, Rose	SC	C	0/00/00		0/00/00			5.999.00
629	Brown, Rosita (Begay)	PM	C	79/10/02		0/00/00			3.913.00
1347	Brown, Stella B.	CL	C	0/00/00	6	81/10/01	Y		5.983.00
460	Burbank, Leita Y.	CL	C	82/11/10	1	0/00/00			1.980.00
400	Butler, Joanne B.	HS	C	0/00/00		0/00/00	N		1.300.00
203	Bydone, Frank	SC	C	0/00/00		0/00/00			1.650.00
684	Bydonnie, Lena Nez	SC	C	0/00/00		0/00/00		S	15.509.10
1923	Cadman, Lorraine K.	CL	C	81/10/30	1	0/00/00			5.013.00
822	Capitan, Delores	PM	C	79/09/28		0/00/00			4.412.00
607	Castillo, Betty	PM	C	85/05/30		0/00/00			5.597.00
1105	Castillo, Mary H.	CL	C	83/08/02	1	0/00/00			27.209.00
1659	Charley, Phyllis	SC	C	0/00/00		0/00/00		P	1.550.00
279	Chase, Hilda	CL	C	82/07/20	1	0/00/00			17.804.00
542	Chase, Jimmy	PM	C	84/08/09		0/00/00		S	16.372.50
1730	Chee, Allen	CL	C	82/11/04	1	0/00/00			20.112.00
412	Chee, Henry	PM	C	84/08/27		0/00/00			2.351.25
1702	Chee, Martha I.	CL	D	0/00/00	2	0/00/00			10.00
263	Chee, Neschi	PM	C	80/08/29		0/00/00			32.782.00
299	Chee, Sally	SC	C	0/00/00		0/00/00		S	13.807.00
545	Chee, Wilson James	PM	C	84/10/16		0/00/00			3.215.00
853	Chester, Blanche	PM	C	84/12/21		0/00/00			6.352.20
523	Chissie, Alice S.	CL	C	83/10/03	1	0/00/00			18.635.00
608	Chissie, David	CL	C	83/08/31	1	0/00/00			13.464.00
823	Clark, Elsie	CL	C	79/09/10	1	0/00/00			12.099.00
1726	Clark, Helen Chee	CL	C	82/10/22	1	0/00/00			15.603.00
1298	Clark, Marlene	CL	C	80/10/10	1	0/00/00			4.402.00
1467	Clark, Mary	SC	C	0/00/00		86/01/01	Y	C	5.329.00
1498	Claw, Rosie Ann	CL	C	80/06/27	1	0/00/00			13.095.00
1450	Clinton, Alvin	SC	C	0/00/00		0/00/00		C	15.131.65
791	Coan, Evelyn Y.	SC	C	0/00/00		0/00/00			811.00
296	Cody, Loretta Mae	PM	C	80/06/03		0/00/00			266.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
2281	Cowboy, Charley	SC	C	0/00/00		0/00/00			7.750.00
841	Dallas, Florina	SC	C	0/00/00		0/00/00			13.865.00
839	Dallas, Joseph	CL	C	82/09/13	1	0/00/00			11.765.00
840	Dallas, Reginald	SC	C	0/00/00		0/00/00	N		4.234.00
1142	Danny, Sam	S2	C	0/00/00		0/00/00		S	17.782.00
292	Daughter, Manymules'	SC	C	0/00/00		0/00/00			1.349.00
1081	Davis, Joe	PM	C	83/10/19		0/00/00			6.370.00
508	Daw, Robert	PM	C	85/04/29		0/00/00		S	4.087.25
1810	Delgarito, Verna mae	PM	C	85/03/11		0/00/00		S	110.00
1301	Dennie, Frank	PM	C	86/03/04		0/00/00		S	16.645.00
919	Denny, Herman	PM	C	86/04/03		0/00/00		C	1.941.00
1677	Dickson, Mary	SC	C	0/00/00		0/00/00		C	5.206.00
1595	Dickson, Nelson D.	CL	C	83/08/03	1	0/00/00			1.185.00
1725	Dixon, Nona	SC	C	0/00/00		0/00/00			2.183.00
1443	Duffy, Paul	CL	C	84/04/16	1	0/00/00		S	3.597.09
1022	Edison Sr., Lee	S2	C	0/00/00		0/00/00			4.603.72
799	Eltsosie, Bessie	CL	C	84/03/15	1	85/11/18	Y		4.851.00
1623	Eskee, Charlotte	SC	C	0/00/00		0/00/00		S	9.519.20
2546	Esson, Lillie	CL	C	83/12/16	1	0/00/00			6.581.45
1469	Etsitty, Irene I.	CL	D	0/00/00	F	0/00/00			22.50
2022	Etsitty, Lorraine	SC	C	0/00/00		0/00/00			1.834.00
1001	Flatrock, Grace	CL	C	84/05/11	1	0/00/00			5.776.90
580	George, Alex	SC	C	0/00/00		0/00/00		S	6.308.75
491	George, Ben	SC	C	0/00/00		0/00/00		C	5.779.50
1594	George, Herbert	CL	C	84/05/31	1	0/00/00			2.653.60
1453	George, Jimmie	PM	C	82/04/30		0/00/00			8.087.00
185	George, Keith	CL	C	84/03/04	1	0/00/00			10.851.00
1448	George, Wanda	PM	C	87/02/20		0/00/00		S	5.114.60
285	Gonnie Sr., Morris	CL	C	78/05/01	H	0/00/00			6.465.00
42	Gonnie, Alice	CL	C	78/03/30	H	0/00/00			19.329.00
560	Gonnie, Hosteen	CL	C	83/10/03	1	0/00/00			18.572.00
501	Goodluck, Lena	CL	C	79/12/05	H	0/00/00			8.903.00
461	Goy Sr., Clarence	PM	C	84/08/02		0/00/00		S	7.691.66

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
952	Gray, Wilson	PM	C	86/01/23		0/00/00		S	6.482.00
290	Greyhair, Chee	PM	C	78/03/21		0/00/00			7.613.00
893	Guy, Evelyn	PM	C	85/03/06		0/00/00			13.332.30
49	Harvey, Rosemary	PM	C	79/08/09		0/00/00			6.738.00
989	Hatathlie, Bessie	SC	C	0/00/00		0/00/00		C	10.294.00
714	Hatathlie, Dan	PM	C	86/11/14		0/00/00		S	13.175.00
994	Hatathlie, Genevieve	DA	D	0/00/00		0/00/00			4.377.60
1007	Havetone, Mary Ann	CL	C	79/07/30	1	0/00/00			5.232.00
1660	Herbert, Victor	PM	C	85/08/23		0/00/00		S	14.261.00
512	Herder, Dan	SC	C	0/00/00		0/00/00			2.376.00
276	Herder, Ram	CS	C	0/00/00		0/00/00		P	11.048.93
72	Hernasy, Carmalita	CL	C	79/10/09	1	0/00/00			4.397.00
847	Honie Sr., Franklin	CL	D	0/00/00	2	0/00/00			12.813.00
845	Honie, Audrey J.	CL	C	82/05/21	1	0/00/00			8.298.00
1349	Horseson, David	CL	C	84/05/09	1	0/00/00			4.477.00
244	Horseson, Harry D.	CL		0/00/00	5	0/00/00			398.00
247	Horseson, John L.	SC	C	0/00/00		0/00/00			3.126.00
130	Horseson, Rena	CL	C	80/10/10	1	0/00/00			16.947.00
951	Hosteen, Alice	PM	C	84/07/26		0/00/00		S	12.559.00
1435	Hosteen, Lee	PM	C	79/09/28		0/00/00			1.522.00
1321	Hosteen, Lewis	CL	C	83/04/28	1	0/00/00			4.826.00
850	Hosteenez, Alfred	SC	C	0/00/00		0/00/00		C	2.032.00
108	Hosteenez, Alvin	S2	C	0/00/00		0/00/00	N	S	7.746.29
1212	Hosteenez, Aszan Bah	CL		0/00/00	6	80/08/15	Y		2.926.00
1194	Hosteenez, Peter	SC	C	0/00/00		0/00/00		C	11.027.00
2122	Huskey, Roy	SC	C	0/00/00		0/00/00		C	3.889.00
1356	Interpreter Sr., Mose	SC	C	0/00/00		0/00/00			7.213.00
1429	Isaac Sr., Lawrence	SC	C	0/00/00		0/00/00			747.00
808	Isaac, Mabel	SC	C	0/00/00		0/00/00	Y		2.856.00
2649	Jackson, Anita K.	CL	D	0/00/00	2	0/00/00			7.637.00
101	Jackson, Sylvia	PM	C	77/09/12		0/00/00			12.618.00
464	James, Lois	PM	C	85/03/05		0/00/00		S	5.755.00
1693	James, Nettie	S2	C	0/00/00		0/00/00	N	C	10.692.00
1607	James, Peter	PM	C	84/10/02		0/00/00		S	8.458.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
785	James, Tom	FM	C	85/03/05		0/00/00			2.015.00
132	Jensen, Bertha	FM	C	79/01/09		0/00/00			12.936.00
190	Jensen, Dorothea C.	CL	C	81/02/13	1	0/00/00			5.513.00
1333	Jensen, Felix	CL	C	80/07/10	1	0/00/00			404.00
1487	Jensen, Jasper	CL	C	81/05/29	1	0/00/00			12.822.00
1211	Jensen, Kenneth	SC	C	0/00/00		0/00/00		C	5.799.00
352	Jensen, Richard Ben	CL	C	81/06/08	1	0/00/00			5.075.00
47	Jim, Minnie	CL	C	77/12/02	H	0/00/00			1.585.00
1254	Jimmie, Bah Yazzie	SC	C	0/00/00		0/00/00		S	3.608.00
2149	Jimmie, George	SC	C	0/00/00		0/00/00			3.269.81
313	Jimmie, Mae S.	CL	C	83/10/06	1	0/00/00		P	11.476.00
1016	Jimmy, Edgar	SC	C	0/00/00		0/00/00		S	17.549.00
2438	Joe, Cecelia	DA	D	0/00/00		0/00/00			2.803.00
1447	Joe, Dannie	S2	C	0/00/00		0/00/00		S	5.997.48
2154	Joe, Zonnie R.	FM	C	87/02/17		0/00/00	N	X	2.994.10
2136	John, Dolly	CL	C	80/04/11	1	0/00/00			5.974.00
971	John, Sullivan	FM	C	86/03/21		0/00/00			3.917.95
974	John, Tom	FM	C	85/09/18		0/00/00		S	5.304.38
1614	Johns, Wanda N.	SC	C	0/00/00		86/08/26	Y	S	7.843.00
271	Johnson, James	FM	C	86/10/31		0/00/00		C	11.736.40
310	Judy, Ella Mae	CL	C	84/04/30	1	0/00/00		S	4.344.00
14	Kanuho, Allen	CL	C	78/11/02	1	0/00/00			10.768.00
194	Kanuho, Delia	FM	C	78/10/12		0/00/00			13.985.00
251	Kanuho, Gene	CL	C	79/04/12	H	0/00/00			5.580.00
773	Kanuho, Jessie	CL	C	83/03/15	1	0/00/00			6.681.00
64	Kanuho, Kee	CL	C	82/01/15	H	0/00/00			5.986.00
382	Kanuho, Sadie A.	CL	C	81/06/12	1	0/00/00			14.857.00
135	Kanuho, Thomas	S2	C	0/00/00		0/00/00	N		800.00
1271	Kaye, Edith (Chee)	FM	C	85/06/04		0/00/00	N		14.792.00
1849	Kee, Lena Y.	FM	C	85/10/08		0/00/00			7.771.00
136	Keoni, Elvin	CL	C	83/11/03	1	0/00/00			13.469.75
237	Keyonnie, Bessie	CL	C	79/06/22	H	0/00/00			3.243.00
1665	King, Billie	CL	C	83/02/25	1	0/00/00			22.579.00
708	King, Henry	CL	C	79/12/27	1	0/00/00			3.249.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
843	Komalestewa, Cynthia	CL	C	82/12/17	1	0/00/00			3.519.00
69	Laban, Gloria	FM	C	80/07/03		0/00/00			11.761.00
293	Lake, Mary N.	FM	C	87/03/25		0/00/00			796.00
1300	Lane, Rena Babbitt	SC	C	0/00/00		0/00/00		C	4.098.00
1011	Lee, Jimmie	SC	C	0/00/00		0/00/00		S	21.511.00
137	Lewis Sr., Jimmie	FM	C	80/09/08		0/00/00			16.755.00
393	Lewis, Dennis	IN		0/00/00		0/00/00			7.034.00
338	Lewis, John	FM	C	87/03/13		0/00/00		S	6.685.94
1355	Lipscomb, Esther	CL	C	79/04/18	1	0/00/00			3.983.00
191	Little, Amy	SC	C	0/00/00		0/00/00		S	14.394.80
1767	Littleman, Jimmy	DA	D	0/00/00		0/00/00			4.154.00
1304	Littleman, Kee	SC	C	0/00/00		0/00/00		S	17.897.00
139	Littlesunday, Daisy	FM	C	83/09/30		0/00/00			4.078.00
105	Littlesunday, Jonas	CL	C	77/09/26	1	0/00/00			1.417.50
1559	Livingston, Lorrene L.	S2	C	0/00/00		0/00/00			4.585.00
1020	Long, Rose B.	DA	D	0/00/00		0/00/00			3.256.00
406	Loucks, Emma	CL	C	79/06/01	1	0/00/00			7.991.00
548	Manson, Dora Ann	CL	C	84/04/19	1	0/00/00			12.987.00
7	Manson, George	FM	C	86/08/12		0/00/00	N	S	42.390.00
571	Manybeads, James	FM	C	80/07/14		0/00/00			6.287.00
1111	Manybeads, Jennie	SC	C	0/00/00		0/00/00		C	10.759.00
549	Manybeads, Jim Chee	SC	C	0/00/00		0/00/00		C	4.237.00
900	Manybeads, Mary	S2	C	0/00/00		0/00/00		S	5.564.00
344	Manygoats Sr., Bobby	CL	C	81/09/24	1	0/00/00			4.510.00
1190	Manygoats Sr., Jasper	SC	C	0/00/00		0/00/00			2.740.00
450	Manygoats, Bessie	FM	C	79/06/12		0/00/00			1.992.00
605	Manygoats, Bob	CL	C	81/10/05	1	0/00/00			5.089.00
903	Manygoats, Bryant	CL	C	81/10/13	1	0/00/00			26.794.00
1210	Manygoats, Cora	SC	C	0/00/00		0/00/00			4.613.00
1804	Manygoats, Dorothy	HS	C	0/00/00		0/00/00		S	8.562.00
1361	Manygoats, Etta	SC	C	0/00/00		0/00/00			2.382.00
814	Manygoats, Frank	FM	C	84/12/14		0/00/00			13.931.00
445	Manygoats, Parker	SC	C	0/00/00		0/00/00			1.030.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
367	Manymule, Calvin	FM	C	85/06/24		0/00/00		S	19.866.30
535	Max, Ason Tapah	S2	C	0/00/00		0/00/00		S	3.205.00
513	Max, Sam Y.	FM	C	80/01/24		0/00/00			11.832.00
1627	McCabe Jr., Everett	SC	C	0/00/00		0/00/00		S	8.318.25
1630	McCabe Sr., Alfred	SC	C	0/00/00		0/00/00	N	S	665.00
8	McCabe Sr., Tom	CL	C	83/04/29	1	0/00/00			6.925.00
1319	McCabe, Anita	CL	C	81/09/24	1	0/00/00			5.536.00
1628	McCabe, Asdzan Bahe	SC	C	0/00/00		84/02/23	Y	X	86.705.00
1629	McCabe, Charley	FM	C	86/12/08		0/00/00			992.00
18	McCabe, Chilson	FM	C	85/05/03		0/00/00			3.820.65
2225	McCabe, Daniel	FM	C	83/06/24		0/00/00			2.706.00
718	McCabe, Evelyn Joe	CL	C	82/02/26	1	0/00/00			3.280.00
611	McCabe, Harry	CL	C	82/07/30	1	0/00/00			66.000.00
701	McCabe, Polly	FM	C	79/07/09		0/00/00			4.653.00
301	McCabe, Rena	CL	C	82/11/23	1	0/00/00			10.155.00
612	McCabe, Sally J.	S2	C	0/00/00		0/00/00		X	6.324.34
1148	McCabe, Wayne	SC	C	0/00/00		0/00/00		P	41.845.00
2241	McKinley, Edith Y.	FM	C	86/08/01		0/00/00			5.228.00
55	McNeil, Lavina	FM	C	80/01/11		0/00/00			3.255.00
505	Mexican, Belle	FM	C	85/04/26		0/00/00		S	8.864.75
422	Mix, Tom Y.	FM	C	80/05/08		0/00/00			9.415.00
1676	Monroe, Guy	IT		0/00/00		84/02/10	Y		13.603.00
1180	Monroe, Marie Joe	CL	C	81/07/24	1	0/00/00			164.00
50	Monroe, Vivian	CL	C	77/09/06	1	0/00/00			10.165.00
85	Moore, Betty	SC	C	0/00/00		0/00/00			3.237.10
333	Morgan, Grace	FM	C	85/12/23		0/00/00		S	8.506.52
336	Morgan, Melva	FM	C	84/07/02		0/00/00			8.321.00
122	Morton, Ruby B.	HS	C	0/00/00		0/00/00			1.539.92
2016	Mose, Phyllis	FM	C	85/08/14		0/00/00		S	208.19
1224	Naha, Helen T. Sequi	SC	C	0/00/00		0/00/00	N		2.573.00
842	Naha, Meltonia Sequi	FM	C	82/07/30		0/00/00			8.743.00
1484	Nalwood, Lawrence	SC	C	0/00/00		0/00/00		C	3.625.21
204	Namingha, Doris	CL	C	77/08/27	1	0/00/00			2.475.00
572	Natani, John	FM	C	85/08/13		0/00/00		S	9.146.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
70	Navasie, Harrington	PM	C	81/04/24		0/00/00			58.442.00
141	Navasie, Muriel	PM	C	81/02/27		0/00/00			520.00
837	Navasie, Nathan	PM	C	80/11/14		0/00/00			8.752.00
1554	Nelson Sr., Harry Ben	SC	C	0/00/00		0/00/00		S	9.225.00
236	Nelson, Benny	CL	C	80/08/28	1	0/00/00			1.931.00
1018	Nelson, David	CL	C	83/10/17	1	0/00/00			6.023.00
1449	Nelson, Emma	SC	C	0/00/00		0/00/00		P	12.490.00
795	Nelson, Emmet	PM	C	85/12/13		0/00/00		C	3.210.00
1622	Nelson, Gene	IN		0/00/00		0/00/00			9.369.07
1604	Nelson, Harry	SC	C	0/00/00		0/00/00	N	C	2.053.00
1209	Nelson, Joe	SC	C	0/00/00		0/00/00		Y	14.817.00
143	Nelson, Luke	CL	C	81/11/20	1	0/00/00			41.319.00
963	Nelson, Roxy	CL	C	84/05/17	1	0/00/00		S	6.263.74
381	Nez Jr., Eli	CL	C	81/05/29	1	0/00/00			2.369.00
770	Nez Sr., Guy B.	CL	C	83/03/15	1	0/00/00			10.363.00
1872	Nez, Bah Wilson	SC	C	0/00/00		0/00/00		S	2.951.00
2511	Nez, Betty J.	DA	D	0/00/00		0/00/00			1.230.00
907	Nez, Billy	PM	C	84/07/19		0/00/00		P	15.367.00
949	Nez, Billy Chee	PM	C	84/09/14		0/00/00		S	2.522.00
786	Nez, Carl	PM	C	87/02/18		0/00/00		S	346.00
1315	Nez, Cecil	SC	C	0/00/00		0/00/00			1.291.00
550	Nez, Danny	PM	C	87/04/09		0/00/00		C	2.951.00
1785	Nez, Edgar D.	CL	C	83/06/16	1	0/00/00			19.325.00
775	Nez, Ella Mae	CL	C	83/03/15	1	0/00/00			5.922.00
19	Nez, Felix	CL	C	79/10/04	H	0/00/00			13.485.00
749	Nez, Frank	SC	C	0/00/00		0/00/00		P	5.176.30
312	Nez, Genevieve	PM	C	85/08/15		0/00/00		S	11.890.50
1555	Nez, Harrison D.	HS	C	0/00/00		0/00/00		S	5.829.00
685	Nez, Harry	S2	C	0/00/00		0/00/00		S	30.931.10
383	Nez, Helen H.	CL	C	81/08/10	1	0/00/00			7.885.00
151	Nez, Hosteen	CL	C	78/08/02	1	0/00/00			4.757.00
716	Nez, Joe	CL	C	80/01/31	1	0/00/00			9.066.00
149	Nez, John	S2	C	0/00/00		0/00/00		S	16.549.10
238	Nez, John C.	CL	C	78/02/15	1	0/00/00			4.275.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
270	Nez, Johnson	CL	C	80/11/21	1	0/00/00			2.005.00
1841	Nez, Katie Y.	PM	C	85/06/27		0/00/00		P	19.363.00
152	Nez, Laura	CL	C	78/08/01	1	0/00/00			5.467.00
704	Nez, Laura	PM	C	82/01/15		0/00/00			3.718.00
153	Nez, Lee Leo	CL	C	79/08/14	1	0/00/00			2.286.00
1128	Nez, Leonard Yazzie	CL	C	84/06/29	1	0/00/00		S	4.028.00
413	Nez, Lillie Ann	CL	C	82/09/03	1	0/00/00			1.154.00
732	Nez, Mack	DA	D	0/00/00		0/00/00			2.051.11
495	Nez, Marie	CL	C	79/05/05	H	0/00/00			7.323.00
1314	Nez, Milton S	CL	C	80/12/22	1	0/00/00			5.801.00
650	Nez, Nellie	PM	C	86/04/29		0/00/00		S	3.812.00
154	Nez, Nelson Glen	PM	C	79/10/26		0/00/00			4.884.00
748	Nez, Peter Frank	PM	C	86/02/14		0/00/00			12.873.00
360	Nez, Roy	HS	C	0/00/00		0/00/00		C	1.291.00
992	Nez, Tincer	CL	C	80/08/11	H	0/00/00			7.376.00
1557	Nez, Violet Mae	HS	C	0/00/00		0/00/00		C	65.00
1234	Nez, Virgil D.	CL	C	79/11/13	1	0/00/00			8.733.00
776	Nez, Walter Thomas	PM	C	86/09/12		0/00/00		S	744.60
1642	Nez, Yazzie D.	HS	C	0/00/00		0/00/00		C	5.254.00
20	Paddock, Andy	CL	C	78/04/10	1	0/00/00			8.864.00
35	Paddock, Jean	CL	C	82/09/20	1	0/00/00			1.330.00
1143	Parrish, Diana	CL	C	81/03/09	1	0/00/00			76.00
48	Patterson, Betty M.	CL	C	78/03/02	1	0/00/00			5.851.00
969	Pete, Margaret	S2	C	0/00/00		0/00/00		S	4.211.00
2334	Pete, Raymond	SC	C	0/00/00		0/00/00	N		20.495.00
2182	Pete, Rena Begay	SC	C	0/00/00		0/00/00		S	3.949.00
913	Phillips, Pete	SC	C	0/00/00		0/00/00		P	9.596.56
1795	Polacca, Kirkland	DA	D	0/00/00		0/00/00			33.90
1548	Polacca, Rex G.	CL	D	0/00/00	F	0/00/00			33.90
171	Price, Sarah	PM	C	79/06/19		0/00/00			1.808.55
366	Redburrow, Joe	SC	C	0/00/00		0/00/00	N	X	6.076.25
692	Redsteer, Jack	PM	C	79/10/10		0/00/00			236.00
257	Redsteer, Lillie Mae	PM	C	79/07/20		0/00/00			1.996.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
66	Reid, Mae	CL	C	77/07/29	1	0/00/00			1.387.50
533	Rogers, Rosie	CS	C	0/00/00		0/00/00			7.905.00
807	Rope, Lucille	CL	C	0/00/00	6	82/02/22	Y	S	7.844.00
525	Sands, Jimmie Joe	FM	C	87/04/01		0/00/00		C	1.800.00
365	Sands, Zona Lenora	FM	C	85/06/24		0/00/00		S	7.272.00
346	Sangster, Albert	CL	C	81/07/17	1	0/00/00			4.812.00
196	Sangster, Angela	FM	C	79/11/16		0/00/00			3.679.00
32	Scott, Raymond	CL	C	81/02/20	1	0/00/00			179.00
1691	Secody, Bessie	S2	C	0/00/00		0/00/00	N		3.356.00
1527	Semallie, Lola	CL	D	0/00/00	2	0/00/00			559.00
844	Sequi, Willie	SC	C	0/00/00		0/00/00			2.317.00
324	Shabi, Sarah	S2	C	0/00/00		0/00/00			4.450.00
468	Shepherd Sr., Dan	FM	C	85/11/21		0/00/00		S	5.830.00
573	Shepherd, Bessie	CL	C	83/07/27	1	0/00/00			4.915.00
1928	Shepherd, Bessie	FM	C	84/11/16		0/00/00			9.946.00
321	Shepherd, Gladys	FM	C	84/10/30		0/00/00			4.095.00
469	Shepherd, Helena	FM	C	85/08/06		0/00/00		S	16.654.00
898	Shepherd, Marie	FM	C	84/11/16		0/00/00		S	22.902.00
527	Shepherd, Stanley	CL	C	82/11/12	1	0/00/00			4.963.00
155	Sheppard, Larry	FM	C	84/11/29		0/00/00		S	4.101.00
942	Sheppard, Mary Y.	S2	C	0/00/00		0/00/00			11.178.40
424	Sherman, Wayne	FM	C	85/06/20		0/00/00			6.709.00
990	Shorty, Nora F.	CS	C	0/00/00		0/00/00			13.681.00
298	Sienny, Joe	CL	C	82/12/03	1	0/00/00			8.098.00
856	Simonson, Betty Lou	S2	C	0/00/00		0/00/00	N		4.370.00
278	Skeets, Mary Y.	CL	C	81/04/20	1	0/00/00			9.066.25
363	Slim, Lloyd	SC	C	0/00/00		0/00/00		S	11.020.80
181	Sloan, Curtis	CL	D	0/00/00	F	0/00/00			5.320.00
722	Sloan, David	FM	C	86/05/09		0/00/00		S	9.682.00
84	Sloan, Mariann	CL	C	79/09/05	H	0/00/00			4.603.00
1542	Smith, Katherine C.	SC	C	0/00/00		86/01/01	Y	C	12.314.00
57	Smith, Lucy	CL	C	77/07/01	J	0/00/00			6.255.00
1030	Smith, Selena M.	SC	C	0/00/00		0/00/00	N		5.254.00
206	Stewart, Emma	FM	C	79/11/09		0/00/00			1.355.00

CLIENT MASTER/MEMBER FILE

Appraisals! All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
1258	Tachine, Beverly	SC	C	0/00/00		0/00/00	N	C	2.977.00
1402	Taliwood, Howard	DA	D	0/00/00		0/00/00			4.087.00
1288	Tallsalt Sr., Raymond	CS	C	0/00/00		0/00/00		S	33.971.00
1043	Tapaha, Dzanil	CL		0/00/00	6	79/06/14	Y		14.280.00
1508	Tapaha, Ruth	SC	C	0/00/00		0/00/00			5.082.00
158	Teasyatoh, Lorenzo	PM	C	84/11/15		0/00/00		S	2.937.00
341	Thomas Sr., Henry	PM	C	84/10/31		0/00/00			4.451.80
755	Thomas, Bessie W.	CL	C	80/12/05	1	0/00/00			5.263.00
261	Thomas, Hazel	PM	C	85/09/20		0/00/00		S	3.082.50
865	Thomas, Julia	CL	C	82/07/30	1	0/00/00			7.823.00
756	Thomas, Mae B.	CL	C	82/08/16	1	0/00/00			8.632.00
771	Thomas, Verna Mae	CL	C	83/03/15	1	0/00/00			6.681.00
1562	Thompson, Bobby F.	HS	C	0/00/00		0/00/00		S	25.983.00
635	Thompson, Edgar	CL		0/00/00	6	0/00/00	Y		6.025.00
712	Thompson, Joe A.	CL	C	81/06/22	1	0/00/00			10.775.00
487	Thompson, Mary B.	SC	C	0/00/00		0/00/00		S	15.982.90
1124	Titley, Lilly	CL	C	0/00/00	6	82/09/20	Y	S	12.403.86
855	Tocheene, Lyle	DA	D	0/00/00		0/00/00			3.245.15
200	Todicheeney Sr., Leo	SC	C	0/00/00		0/00/00			3.149.20
364	Tohannie, Bert	SC	C	0/00/00		0/00/00		S	6.360.50
1511	Tohonnie, Zonnie	SC	C	0/00/00		0/00/00		S	22.397.00
1657	Tsinnie, Benson	SC	C	0/00/00		0/00/00		S	5.549.00
1026	Tsinnie, Joe	CS	C	0/00/00		0/00/00		C	9.049.48
1685	Tso, Billy	PM	C	85/09/25		0/00/00		X	11.709.00
860	Tso, Edward	SC	C	0/00/00		0/00/00	N		2.785.00
1417	Tso, Linda B.	SC	C	0/00/00		0/00/00		S	25.432.00
574	Tso, Mae Wilson	SC	C	0/00/00		0/00/00		S	15.638.00
934	Tsosie Jr., Kee	SC	C	0/00/00		0/00/00		P	5.994.74
935	Tsosie Sr., Kee	PM	C	85/07/18		0/00/00		S	14.311.00
322	Tsosie, Ben	PC		0/00/00		85/03/08	Y		8.353.38
1732	Tsosie, Clark	CS	C	0/00/00		0/00/00		S	6.807.00
947	Tsosie, Kee	PM	C	85/06/06		0/00/00			2.637.00
559	Tsosie, Kenneth	CL	C	81/10/05	1	0/00/00			1.180.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
937	Tsosie, Paul	HS	C	0/00/00		0/00/00		S	8.209.00
943	Tsosie, Polly	CL	C	82/07/16	1	0/00/00			8.792.00
73	Tullie, Ella Rose	PM	C	80/04/03		0/00/00			5.177.00
915	Uentillie, Billie	HS	C	0/00/00		0/00/00		S	11.063.00
604	Wagoner, Johnny	PM	C	87/02/24		0/00/00	N	X	3.238.00
397	Walker, Bennie	PM	C	84/08/30		0/00/00			4.269.00
277	Walker, Helen	CL	C	81/02/20	1	0/00/00			2.257.00
396	Walker, Kent Keeson	CL	C	81/12/18	1	0/00/00			100.00
419	Walker, Nancy	CL	D	0/00/00	F	0/00/00			5.402.00
1087	Walker, Thelma	CL	C	82/08/16	1	0/00/00			14.731.00
1473	Walters, Bessie	SC	C	0/00/00		0/00/00		S	6.560.00
686	Walters, Nelich	SC	C	0/00/00		0/00/00		S	25.307.00
1102	Watson, Marie Nez	SC	C	0/00/00		0/00/00		S	7.601.00
1187	Wauneka, Ella Williams	PM	C	85/08/01		0/00/00			4.834.00
159	Webster, Marjorie W.	CL	C	77/08/15	H	0/00/00			1.585.00
896	Wesley, Donald	PM	C	84/04/11		0/00/00		S	6.407.00
52	Wesley, John	PM	C	84/10/12		0/00/00	N	S	5.743.40
1063	White, Kee Yazzie	CL	C	82/07/02	1	0/00/00			472.00
1225	White, Mary Young	CL	C	79/09/13	1	0/00/00			5.160.00
1172	White, Tom	SC	C	0/00/00		0/00/00		S	9.855.86
1545	White, Tommy	CL	C	83/03/04	1	0/00/00			11.379.00
410	Whitesinger, Lolita	CL	C	80/08/11	1	0/00/00			1.549.00
531	Williams Jr., Nelson	SC	C	0/00/00		0/00/00			11.832.00
826	Williams, Alma	PM	C	86/01/14		0/00/00		P	7.561.00
602	Williams, Annie	PM	C	84/08/10		0/00/00			4.630.25
1103	Williams, Annie Marie	S2	C	0/00/00		0/00/00		S	4.650.00
1451	Williams, Billy	CS	C	0/00/00		0/00/00		P	21.096.00
106	Williams, Elizabeth	SC	C	0/00/00		0/00/00			4.687.46
21	Williams, Emily	PS	C	0/00/00		0/00/00			2.442.00
239	Williams, Eugene	CL	C	80/10/27	1	0/00/00			125.00
472	Williams, Helen Y.	PM	C	85/02/22		0/00/00			6.420.00
1029	Williams, Jean	CL	C	82/04/23	1	0/00/00			12.047.00
1097	Williams, Jefferson	S2	C	0/00/00		0/00/00		S	6.498.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
94	Williams, Jim F.	CL	C	81/02/13	1	0/00/00			5.956.00
28	Williams, John Kee	CL	C	77/10/28	H	0/00/00			11.336.00
1935	Williams, Marvin	CL	C	84/03/08	1	0/00/00			8.052.00
987	Williams, Nelson	SC	C	0/00/00		0/00/00		S	13.481.00
649	Williams, Rena	SC	C	0/00/00		0/00/00		S	5.051.49
615	Williams, Susie L	SC	C	0/00/00		0/00/00		S	787.50
1561	Willie, Lee	CL	C	81/05/22	1	0/00/00			7.464.00
1615	Wilson, Harriett	SC	C	0/00/00		0/00/00		P	10.232.00
859	Wilson, Isabelle E.	FM	C	84/11/06		0/00/00		S	5.513.85
305	Wilson, Sam	SC	C	0/00/00		0/00/00		P	10.359.50
99	Woody, Annie M.	CL	C	79/08/08	1	0/00/00			2.770.00
750	Worker, Sam	CL	C	81/04/24	1	0/00/00			22.193.00
1874	Worker, Tom	SC	C	0/00/00		0/00/00			1.486.00
1109	Yazzie Jr., Robert	FM	C	85/03/13		0/00/00			3.754.00
1028	Yazzie Sr., Clah	S2	C	0/00/00		0/00/00		S	5.328.00
1465	Yazzie, Alice	SC	C	0/00/00		0/00/00		S	3.964.00
1185	Yazzie, Andrew	CS	C	0/00/00		0/00/00		S	7.538.00
868	Yazzie, Anita Rose	FM	C	84/07/30		0/00/00		S	6.950.00
1466	Yazzie, Baba	SC	C	0/00/00		0/00/00		C	13.178.00
253	Yazzie, Bessie	CL	C	80/01/04	1	0/00/00			8.844.00
622	Yazzie, Bessie L.	SC	C	0/00/00		0/00/00		C	7.770.00
798	Yazzie, Carson	CL	C	82/12/09	1	0/00/00			10.596.00
1159	Yazzie, Darrell J.	SC	C	0/00/00		0/00/00		P	2.264.00
281	Yazzie, David Lee	FM	C	84/08/16		0/00/00			5.015.00
1299	Yazzie, Dean	FM	C	79/08/31		0/00/00			2.061.00
725	Yazzie, Desbah	CL	C	79/08/06	1	0/00/00			12.409.00
577	Yazzie, Dorothy	CL	C	82/02/26	1	0/00/00			3.921.00
1744	Yazzie, Dorothy B.	SC	C	0/00/00		0/00/00			4.790.00
161	Yazzie, Earl D.	CL	C	82/06/18	1	0/00/00			4.209.00
350	Yazzie, Eleanor	CL	C	83/06/30	1	0/00/00			2.574.00
1635	Yazzie, Ella Mae	FM	C	86/02/21		0/00/00		S	17.223.00
475	Yazzie, Etta G.	CL	C	82/12/17	1	0/00/00			13.829.00
327	Yazzie, Franklin	CL	C	83/12/22	1	0/00/00			7.075.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
996	Yazzie, Geraldine	FM	C	81/05/14		0/00/00			1.956.72
976	Yazzie, Henry H.	CL	C	80/11/07	1	0/00/00			7.237.00
449	Yazzie, Hugh	CL	C	81/05/22	1	0/00/00			13.142.00
871	Yazzie, Jimmy	FM	C	84/07/31		0/00/00		S	20.346.00
582	Yazzie, John	CL	C	82/12/07	1	0/00/00			7.329.00
1490	Yazzie, John	SC	C	0/00/00		0/00/00		C	20.305.00
58	Yazzie, John P.	CL	C	77/08/14	1	0/00/00			2.087.61
683	Yazzie, Kay	SC	C	0/00/00		0/00/00		S	18.276.00
1553	Yazzie, Knox	SC	C	0/00/00		0/00/00		C	22.493.00
858	Yazzie, Ladawn W.	CL	C	81/03/09	1	0/00/00			8.555.00
1543	Yazzie, Lillian C.	SC	C	0/00/00		0/00/00		S	4.123.00
453	Yazzie, Louise R.	FM	C	85/08/13		0/00/00		P	10.623.40
948	Yazzie, Lucy Ann	FM	C	84/08/09		0/00/00		S	6.198.00
621	Yazzie, Margaret	FM	C	84/08/09		0/00/00			11.720.50
1027	Yazzie, Marie	SC	C	0/00/00		0/00/00		S	3.403.00
1255	Yazzie, Marie	SC	C	0/00/00		0/00/00		C	5.205.60
454	Yazzie, Mary Ann	FM	C	86/06/19		0/00/00		S	8.753.75
624	Yazzie, Mary Bitsi	FM	C	84/08/08		0/00/00		P	12.697.00
456	Yazzie, Mattie	FM	C	84/08/08		0/00/00		S	8.473.77
1847	Yazzie, Maxine Lee	CL	C	80/10/10	1	0/00/00			12.813.00
1084	Yazzie, Mazzie	CL	C	81/05/22	1	0/00/00			2.329.00
444	Yazzie, Myra	SC	C	0/00/00		0/00/00	N		1.030.00
82	Yazzie, Nora C.	CL	C	81/03/26	1	0/00/00			4.410.00
443	Yazzie, Patsy Zelma	SC	C	0/00/00		0/00/00	N		1.030.00
1476	Yazzie, Pauline L.	SC	C	0/00/00		0/00/00		S	10.915.00
1441	Yazzie, Pearly	S2	C	0/00/00		0/00/00		X	10.934.00
457	Yazzie, Peter	FM	C	84/08/07		0/00/00		S	11.144.87
439	Yazzie, Polly A.	HS	C	0/00/00		0/00/00			3.150.00
1198	Yazzie, Raymond	IT		0/00/00		84/09/17	Y		2.494.00
938	Yazzie, Ruth	SC	C	0/00/00		0/00/00	N		4.246.00
359	Yazzie, Sally Mae	SC	C	0/00/00		0/00/00		S	11.488.00
1489	Yazzie, Sonntag	SC	C	0/00/00		0/00/00	N		2.004.00
1495	Yazzie, Stephen Peter	CL	C	81/02/27	1	0/00/00			7.312.00

CLIENT MASTER/MEMBER FILE

Appraisals: All

CASE NUM	CLIENT NAME	AGCY STAT	CODE DETERM	DATE RELOC	CD CLOS	DATE DECEASED	DECEASED CODE	CCD CD	APPRAISAL AMOUNT
384	Yazzie, Tom	CL	C	80/06/03	1	0/00/00			1.567.00
681	Yazzie, Tom K.	FM	C	85/06/25		0/00/00		P	25.386.00
29	Yazzie, Violet Ruth	SC	C	0/00/00		0/00/00			2.899.00
784	Yazzie, Waldine C.	SC	C	0/00/00		0/00/00		P	9.568.00
700	Yellowhair, Charles	SC	C	0/00/00		0/00/00	N		2.818.32
941	Yellowhair, Daniel	SC	C	0/00/00		0/00/00		S	4.797.00
1524	Yellowhair, Howard	SC	C	0/00/00		0/00/00		S	1.258.00
558	Yellowhair, Samuel	CL	C	81/09/24	1	0/00/00			4.195.00
717	Yellowhair, Sr, Kee Y.	CL		0/00/00	6	81/02/01	Y		2.666.00
415	Yellowhair, William	CL	C	83/01/27	1	0/00/00			8.414.00
1984	Yessilth, Shirley G.	CL	C	82/12/10	1	0/00/00			8.324.00
325	Yesslith, Flora C.	S2	C	0/00/00		0/00/00		S	8.304.81
163	Yonnie, Dallas	CL	C	83/02/24	1	0/00/00			750.00
477	Yonnie, Jean	SC	C	0/00/00		0/00/00			4.414.00
162	Yonnie, June	CL	C	82/06/18	1	0/00/00			11.184.00
24	Yonnie, Ross	FM	C	84/07/28		0/00/00		S	4.372.00
164	Yonnie, Wakely	CL	C	79/08/28	1	0/00/00			6.109.00
899	Zilth, Bahe	S2	C	0/00/00		0/00/00	N	S	21.833.00
									5.315.409.70

CLIENT MASTER/MEMBER FILE

Appraisals: MPA R'd

CASE NUM	CLIENT NAME	AGCY STAT	DATE RELOC	APPRAISAL AMOUNT	CD CLOS
186	Ahkeah, Rosalie	PM	79/09/28	3,987.50	
22	Albert, Annie P.	PM	78/04/19	3,984.00	
38	Altsisi, Eula	PM	77/06/21	1,585.00	
1551	Armboy, Sarah D.	PM	86/03/04	2,660.00	
616	Arthur, Hope S.	CL	83/08/03	15,379.00	1
1663	Arviso, Ella	CL	84/05/11	5,514.00	1
51	Attakai, Andrew C.	PM	79/08/28	19,001.00	
115	Attakai, Della	PM	80/08/11	2,842.00	
1807	Attakai, Joletta R.	CL	81/10/16	1,105.00	1
30	Attakai, Kee Joe	CL	83/02/25	10,888.00	1
356	Attakai, Roy	CL	81/11/16	13,893.00	1
287	Ayzie, Nellie	CL	79/04/25	115.00	1
399	Bahe Sr., Kee	PM	84/09/10	15,934.00	
318	Bahe, Jesse	PM	82/08/16	300.00	
25	Bahe, Perry	CL	82/10/13	18,179.00	1
31	Bahe, Stella	PM	77/06/24	2,272.00	
2161	Barton, Marie Begay	PM	86/04/04	4,804.00	
78	Bedoni, Lena	CL	80/01/11	1,911.00	1
1617	Bedonie, Loretta Mae	CL	83/07/14	5,695.00	1
34	Begay, Bitsilakai	PM	83/06/24	5,930.00	
228	Begay, Danny R.	CL	80/05/22	5,875.00	J
598	Begay, Della	CL	82/08/16	3,395.00	1
1154	Begay, Dorothy	CL	84/01/27	18,049.00	1
1910	Begay, Etta Rose	CL	82/11/05	19,930.00	1
1512	Begay, Eugene	CL	84/06/20	163.14	1
730	Begay, Frank E.	CL	79/08/11	2,776.00	1
294	Begay, Gloria	CL	81/05/11	13,040.00	1
76	Begay, Harry J.	CL	79/06/22	11,148.00	H
2541	Begay, Haskey	CL	83/03/07	9,250.00	1
618	Begay, Irene Annie	PM	84/04/11	9,287.00	
6	Begay, James	CL	80/08/18	9,983.00	1
1056	Begay, Joe Smith	PM	86/06/10	2,472.50	
564	Begay, Lola Tso	PM	86/02/14	2,600.24	
54	Begay, Louis	PM	78/05/10	17,053.00	
1929	Begay, Louise A.	CL	84/02/27	3,227.00	1
103	Begay, Louise Jane	CL	79/12/05	4,733.00	1
643	Begay, Mark	CL	81/06/22	28,999.00	1
1021	Begay, Martha	CL	81/01/30	8,649.00	1
1305	Begay, May John	PM	83/12/23	87.56	
345	Begay, Nakai Denet	CL	79/12/07	32,555.00	H
806	Begay, Ralph	CL	78/12/06	17,353.00	H
1135	Begay, Raymond	PM	79/09/13	1,825.00	
1903	Begay, Ruth Ann	CL	84/03/09	11,478.00	1
1	Begay, Ruth L.	PM	78/05/10	3,458.00	
689	Begay, Tillie	CL	83/07/20	17,777.00	1
180	Begay, Tolie	PM	79/12/07	7,265.00	
59	Begay, Vincent W.	PM	84/11/20	8,606.25	
37	Begay, William	CL	79/11/13	11,336.00	1
1274	Begay, Willie Kescoli	CL	82/11/30	8,196.00	1
642	Begay, Zonnie	CL	81/08/28	5,121.00	1
1501	Belin, Ruby	PM	86/03/07	8,547.00	
2288	Belone, Charles	CL	82/03/15	6,453.00	1
1070	Belone, Nita Rose	PM	85/09/27	2,555.00	
889	Benally, Betty Ann	PM	86/10/15	245.00	
2089	Benally, June Bob	CL	83/06/24	4,675.00	1
2213	Benally, Seehee	CL	83/07/12	11,939.00	1
721	Benton, Marie Begay	CL	80/11/21	1,868.00	1
2091	Billie, Sam	CL	84/01/10	20,800.00	1
354	Billy, John	PM	79/08/01	24,007.00	
332	Bitsui, Glonzine	CL	82/07/30	13,170.00	1
12	Brady, Alta A.	CL	81/01/16	3,463.00	1
1117	Brown, Katherine	CL	83/08/09	5,526.00	1
629	Brown, Rosita (Begay)	PM	79/10/02	3,913.00	
460	Burbank, Leita Y.	CL	82/11/10	1,980.00	1
1923	Cadman, Lorraine K.	CL	81/10/30	5,013.00	1
822	Capitan, Delores	PM	79/09/28	4,412.00	
607	Castillo, Betty	PM	85/05/30	5,597.00	
1105	Castillo, Mary H.	CL	83/08/02	27,209.00	1

CLIENT MASTER/MEMBER FILE

Appraisals! MPA R'd

CASE NUM	CLIENT NAME	AGCY STAT	DATE RELOC	APPRAISAL AMOUNT	CD CLOS
279	Chase, Hilda	CL	82/07/20	17,804.00	1
1730	Chee, Allen	CL	82/11/04	20,112.00	1
412	Chee, Henry	PM	84/08/27	2,351.25	
263	Chee, Neschi	PM	80/08/29	32,782.00	
545	Chee, Wilson James	PM	84/10/16	3,215.00	
853	Chester, Blanche	PM	84/12/21	6,352.20	
523	Chissie, Alice S.	CL	83/10/03	18,635.00	1
608	Chissie, David	CL	83/08/31	13,464.00	1
823	Clark, Elsie	CL	79/09/10	12,099.00	1
1726	Clark, Helen Chee	CL	82/10/22	15,603.00	1
1298	Clark, Marlene	CL	80/10/10	4,402.00	1
1498	Claw, Rosie Ann	CL	80/06/27	13,095.00	1
296	Cody, Loretta Mae	PM	80/06/03	266.00	
839	Dallas, Joseph	CL	82/09/13	11,765.00	1
1081	Davis, Joe	PM	83/10/19	6,370.00	
1595	Dickson, Nelson D.	CL	83/08/03	1,185.00	1
799	Eltsosie, Bessie	CL	84/03/15	4,851.00	1
2546	Esson, Lillie	CL	83/12/16	6,581.45	1
1001	Flatrock, Grace	CL	84/05/11	5,776.90	1
1594	George, Herbert	CL	84/05/31	2,653.60	1
1453	George, Jimmie	PM	82/04/30	8,087.00	
185	George, Keith	CL	84/03/04	10,851.00	1
285	Gonnie Sr., Morris	CL	78/05/01	6,465.00	H
42	Gonnie, Alice	CL	78/03/30	19,329.00	H
560	Gonnie, Hosteen	CL	83/10/03	18,572.00	1
501	Goodluck, Lena	CL	79/12/05	8,903.00	H
290	Greyhair, Chee	PM	78/03/21	7,613.00	
893	Guy, Evelyn	PM	85/03/06	13,332.30	
49	Harvey, Rosemary	PM	79/08/09	6,738.00	
1007	Havetone, Mary Ann	CL	79/07/30	5,232.00	1
72	Hernasy, Carmalita	CL	79/10/09	4,397.00	1
845	Honie, Audrey J.	CL	82/05/21	8,298.00	1
1349	Horseson, David	CL	84/05/09	4,477.00	1
130	Horseson, Rena	CL	80/10/10	16,947.00	1
1435	Hosteen, Lee	PM	79/09/28	1,522.00	
1321	Hosteen, Lewis	CL	83/04/28	4,826.00	1
101	Jackson, Sylvia	PM	77/09/12	12,618.00	
785	James, Tom	PM	85/03/05	2,015.00	
132	Jensen, Bertha	PM	79/01/09	12,936.00	
190	Jensen, Dorothea C.	CL	81/02/13	5,513.00	1
1333	Jensen, Felix	CL	80/07/10	404.00	1
1487	Jensen, Jasper	CL	81/05/29	12,822.00	1
352	Jensen, Richard Ben	CL	81/06/08	5,075.00	1
47	Jim, Minnie	CL	77/12/02	1,585.00	H
2154	Joe, Zonnie R.	PM	87/02/17	2,994.10	
2136	John, Dolly	CL	80/04/11	5,974.00	1
971	John, Sullivan	PM	86/03/21	3,917.95	
14	Kanuho, Allen	CL	78/11/02	10,768.00	1
194	Kanuho, Delia	PM	78/10/12	13,985.00	
251	Kanuho, Gene	CL	79/04/12	5,580.00	H
773	Kanuho, Jessie	CL	83/03/15	6,681.00	1
64	Kanuho, Kee	CL	82/01/15	5,986.00	H
382	Kanuho, Sadie A.	CL	81/06/12	14,857.00	1
1271	Kaye, Edith (Chee)	PM	85/06/04	14,792.00	
1849	Kee, Lena Y.	PM	85/10/08	7,771.00	
136	Keoni, Elvin	CL	83/11/03	13,469.75	1
237	Keyonnie, Bessie	CL	79/06/22	3,243.00	H
1665	King, Billie	CL	83/02/25	22,579.00	1
708	King, Henry	CL	79/12/27	3,249.00	1
843	Komalestewa, Cynthia	CL	82/12/17	3,519.00	1
69	Laban, Gloria	PM	80/07/03	11,761.00	
293	Lake, Mary N.	PM	87/03/25	796.00	
137	Lewis Sr., Jimmie	PM	80/09/08	16,755.00	
1355	Lipscomb, Esther	CL	79/04/18	3,983.00	1
139	Littlesunday, Daisy	PM	83/09/30	4,078.00	
105	Littlesunday, Jonas	CL	77/09/26	1,417.50	1
406	Loucks, Emma	CL	79/06/01	7,991.00	1
548	Manson, Dora Ann	CL	84/04/19	12,987.00	1

CLIENT MASTER/MEMBER FILE

Appraisals: MPA R'd

CASE NUM	CLIENT NAME	AGCY STAT	DATE RELOC	APPRAISAL AMOUNT	CD CLOS
571	Manybeads, James	PM	80/07/14	6,287.00	
344	Manygoats Sr., Bobby	CL	81/09/24	4,510.00	1
450	Manygoats, Bessie	PM	79/06/12	1,992.00	
605	Manygoats, Bob	CL	81/10/05	5,089.00	1
903	Manygoats, Bryant	CL	81/10/13	26,794.00	1
814	Manygoats, Frank	PM	84/12/14	13,931.00	
513	Max, Sam Y.	PM	80/01/24	11,832.00	
8	McCabe Sr., Tom	CL	83/04/29	6,925.00	1
1319	McCabe, Anita	CL	81/09/24	5,536.00	1
1629	McCabe, Charley	PM	86/12/08	992.00	
18	McCabe, Chilson	PM	85/05/03	3,820.65	
2225	McCabe, Daniel	PM	83/06/24	2,706.00	
718	McCabe, Evelyn Joe	CL	82/02/26	3,280.00	1
611	McCabe, Harry	CL	82/07/30	66,000.00	1
701	McCabe, Polly	PM	79/07/09	4,653.00	
301	McCabe, Rena	CL	82/11/23	10,155.00	1
2241	McKinley, Edith Y.	PM	86/08/01	5,228.00	
55	McNeil, Lavina	PM	80/01/11	3,255.00	
422	Mix, Tom Y.	PM	80/05/08	9,415.00	
1180	Monroe, Marie Joe	CL	81/07/24	164.00	1
50	Monroe, Vivian	CL	77/09/06	10,165.00	1
336	Morgan, Melva	PM	84/07/02	8,321.00	
842	Naha, Meltonia Sequi	PM	82/07/30	8,743.00	
204	Namingha, Doris	CL	77/08/27	2,475.00	1
70	Navasie, Harrington	PM	81/04/24	58,442.00	
141	Navasie, Muriel	PM	81/02/27	520.00	
837	Navasie, Nathan	PM	80/11/14	8,752.00	
236	Nelson, Benny	CL	80/08/28	1,931.00	1
1018	Nelson, David	CL	83/10/17	6,023.00	1
143	Nelson, Luke	CL	81/11/20	41,319.00	1
381	Nez Jr., Eli	CL	81/05/29	2,369.00	1
770	Nez Sr., Guy B.	CL	83/03/15	10,363.00	1
1785	Nez, Edgar D.	CL	83/06/16	19,325.00	1
775	Nez, Ella Mae	CL	83/03/15	5,922.00	1
19	Nez, Felix	CL	79/10/04	13,485.00	H
383	Nez, Helen H.	CL	81/08/10	7,885.00	1
151	Nez, Hosteen	CL	78/08/02	4,757.00	1
716	Nez, Joe	CL	80/01/31	9,066.00	1
238	Nez, John C.	CL	78/02/15	4,275.00	1
270	Nez, Johnson	CL	80/11/21	2,005.00	1
152	Nez, Laura	CL	78/08/01	5,467.00	1
704	Nez, Laura	PM	82/01/15	3,718.00	
153	Nez, Lee Leo	CL	79/08/14	2,286.00	1
413	Nez, Lillie Ann	CL	82/09/03	1,154.00	1
495	Nez, Marie	CL	79/05/05	9,323.00	H
1314	Nez, Milton S	CL	80/12/22	5,801.00	1
154	Nez, Nelson Glen	PM	79/10/26	4,884.00	
748	Nez, Peter Frank	PM	86/02/14	12,873.00	
992	Nez, Tincer	CL	80/08/11	7,376.00	H
1234	Nez, Virgil D.	CL	79/11/13	8,733.00	1
20	Paddock, Andy	CL	78/04/10	8,864.00	1
35	Paddock, Jean	CL	82/09/20	1,330.00	1
1143	Parrish, Diana	CL	81/03/09	76.00	1
48	Patterson, Betty M.	CL	78/03/02	5,851.00	1
171	Price, Sarah	PM	79/06/19	1,808.55	
692	Redsteer, Jack	PM	79/10/10	236.00	
257	Redsteer, Lillie Mae	PM	79/07/20	1,996.00	
66	Reid, Mae	CL	77/07/29	1,387.50	1
346	Sangster, Albert	CL	81/07/17	4,812.00	1
196	Sangster, Angela	PM	79/11/16	3,679.00	
32	Scott, Raymond	CL	81/02/20	179.00	1
573	Shepherd, Bessie	CL	83/07/27	4,915.00	1
1928	Shepherd, Bessie	PM	84/11/16	9,946.00	
321	Shepherd, Gladys	PM	84/10/30	4,095.00	
527	Shepherd, Stanley	CL	82/11/12	4,963.00	1
424	Sherman, Wayne	PM	85/06/20	6,709.00	
298	Sienny, Joe	CL	82/12/03	8,098.00	1
278	Skeets, Mary Y.	CL	81/04/20	9,066.25	1

CLIENT MASTER/MEMBER FILE

Appraisals: MPA R'd

CASE NUM	CLIENT NAME	AGCY STAT	DATE RELOC	APPRAISAL AMOUNT	CD CLOS
84	Sloan, Mariann	CL	79/09/05	4,603.00	H
57	Smith, Lucy	CL	77/07/01	6,255.00	J
206	Stewart, Emma	FM	79/11/09	1,355.00	
341	Thomas Sr., Henry	FM	84/10/31	4,451.80	
755	Thomas, Bessie W.	CL	80/12/05	5,263.00	1
865	Thomas, Julia	CL	82/07/30	7,823.00	1
756	Thomas, Mae B.	CL	82/08/16	8,632.00	1
771	Thomas, Verna Mae	CL	83/03/15	6,681.00	1
712	Thompson, Joe A.	CL	81/06/22	10,775.00	1
1685	Tso, Billy	FM	85/09/25	11,709.00	
947	Tsosie, Kee	FM	85/06/06	2,637.00	
559	Tsosie, Kenneth	CL	81/10/05	1,180.00	1
943	Tsosie, Polly	CL	82/07/16	8,792.00	1
73	Tullie, Ella Rose	FM	80/04/03	5,177.00	
604	Wagoner, Johnny	FM	87/02/24	3,238.00	
397	Walker, Bennie	FM	84/08/30	4,269.00	
277	Walker, Helen	CL	81/02/20	2,257.00	1
396	Walker, Kent Keeson	CL	81/12/18	100.00	1
1087	Walker, Thelma	CL	82/08/16	14,731.00	1
1187	Wauneka, Ella Williams	FM	85/08/01	4,834.00	
159	Webster, Marjorie W.	CL	77/08/15	1,585.00	H
1063	White, Kee Yazzie	CL	82/07/02	472.00	1
1225	White, Mary Young	CL	79/09/13	5,160.00	1
1545	White, Tommy	CL	83/03/04	11,379.00	1
410	Whitesinger, Lolita	CL	80/08/11	1,549.00	1
602	Williams, Annie	FM	84/08/10	4,630.25	
239	Williams, Eugene	CL	80/10/27	125.00	1
472	Williams, Helen Y.	FM	85/02/22	6,420.00	
1029	Williams, Jean	CL	82/04/23	12,047.00	1
94	Williams, Jim F.	CL	81/02/13	5,956.00	1
28	Williams, John Kee	CL	77/10/28	11,336.00	H
1935	Williams, Marvin	CL	84/03/08	8,052.00	1
1561	Willie, Lee	CL	81/05/22	7,464.00	1
99	Woody, Annie M.	CL	79/08/08	2,770.00	1
750	Worker, Sam	CL	81/04/24	22,193.00	1
1109	Yazzie Jr., Robert	FM	85/03/13	3,754.00	
253	Yazzie, Bessie	CL	80/01/04	8,844.00	1
798	Yazzie, Carson	CL	82/12/09	10,596.00	1
281	Yazzie, David Lee	FM	84/08/16	5,015.00	
1299	Yazzie, Dean	FM	79/08/31	2,061.00	
725	Yazzie, Desbah	CL	79/08/06	12,407.00	1
577	Yazzie, Dorothy	CL	82/02/26	3,921.00	1
161	Yazzie, Earl O.	CL	82/06/18	4,209.00	1
350	Yazzie, Eleanor	CL	83/06/30	2,574.00	1
475	Yazzie, Etta G.	CL	82/12/17	13,829.00	1
327	Yazzie, Franklin	CL	83/12/22	7,075.00	1
996	Yazzie, Geraldine	FM	81/05/14	1,956.72	
976	Yazzie, Henry H.	CL	80/11/07	7,237.00	1
449	Yazzie, Hugh	CL	81/05/22	13,142.00	1
582	Yazzie, John	CL	82/12/07	7,329.00	1
58	Yazzie, John P.	CL	77/08/14	2,087.61	1
858	Yazzie, Ladawn W.	CL	81/03/09	8,555.00	1
621	Yazzie, Margaret	FM	84/08/09	11,720.50	
1847	Yazzie, Maxine Lee	CL	80/10/10	12,813.00	1
1084	Yazzie, Mazzie	CL	81/05/22	2,329.00	1
82	Yazzie, Nora C.	CL	81/03/26	4,410.00	1
1495	Yazzie, Stephen Peter	CL	81/02/27	7,312.00	1
384	Yazzie, Tom	CL	80/06/03	1,567.00	1
558	Yellowhair, Samuel	CL	81/09/24	4,195.00	1
415	Yellowhair, William	CL	83/01/27	8,414.00	1
1984	Yessilth, Shirley G.	CL	82/12/10	8,324.00	1
163	Yonnie, Dallas	CL	83/02/24	750.00	1
162	Yonnie, June	CL	82/06/18	11,184.00	1
164	Yonnie, Wakely	CL	79/08/28	6,109.00	1
				2,148,050.02	

CLIENT MASTER/MEMBER FILE

Appraisals: CCD R'd

CASE NUM	CLIENT NAME	AGCY STAT	DATE RELOC	APPRAISAL AMOUNT	CD CLOS
1354	Babbitt, George K.	PM	85/04/23	8,731.00	
481	Badoni, Fannie Y.	PM	86/11/06	21,684.00	
810	Bedonie, Pauline M.	PM	84/12/14	5,138.00	
1832	Begay, Ason Bahe	PM	86/07/17	2,590.00	
1067	Begay, Desbah H.	CL	84/05/11	8,455.00	1
489	Begay, Henry	CL	83/08/15	20,321.00	1
2141	Begay, Howard	PM	84/09/23	9,881.00	
81	Begay, Joe C.	CL	84/05/24	8,455.00	1
554	Begay, Johnny	PM	87/04/10	6,195.00	
337	Begay, Mae	PM	85/11/21	14,248.24	
329	Begay, Peter	PM	84/07/05	8,371.00	
908	Begay, Stanley	PM	84/07/05	13,707.00	
526	Begoody, Mary Tsosie	PM	85/12/20	6,737.40	
741	Benally, June	PM	86/01/30	10,523.00	
617	Benally, Louise K.	CL	84/06/13	8,501.00	1
542	Chase, Jimmy	PM	84/08/09	16,372.50	
508	Daw, Robert	PM	85/04/29	4,087.25	
1810	Delgarito, Verna mae	PM	85/03/11	110.00	
1301	Dennie, Frank	PM	86/03/04	16,645.00	
919	Denny, Herman	PM	86/04/03	1,941.00	
1443	Duffy, Paul	CL	84/04/16	3,597.09	1
1448	George, Wanda	PM	87/02/20	5,114.60	
461	Goy Sr., Clarence	PM	84/08/02	7,691.66	
952	Gray, Wilson	PM	86/01/23	6,482.00	
714	Hatathlie, Dan	PM	86/11/14	13,175.00	
1660	Herbert, Victor	PM	85/08/23	14,261.00	
951	Hosteen, Alice	PM	84/07/26	12,559.00	
464	James, Lois	PM	85/03/05	5,755.00	
1607	James, Peter	PM	84/10/02	8,458.00	
313	Jimmie, Mae S.	CL	83/10/06	11,476.00	1
974	John, Tom	PM	85/09/18	5,304.38	
271	Johnson, James	PM	86/10/31	11,736.40	
310	Judy, Ella Mae	CL	84/04/30	4,344.00	1
338	Lewis, John	PM	87/03/13	6,685.94	
7	Manson, George	PM	86/08/12	42,390.00	
367	Manymule, Calvin	PM	85/06/24	19,866.30	
505	Mexican, Belle	PM	85/04/26	8,864.75	
333	Morgan, Grace	PM	85/12/23	8,506.52	
2016	Mose, Phyllis	PM	85/08/14	208.19	
572	Natani, John	PM	85/08/13	9,146.00	
795	Nelson, Emmet	PM	85/12/13	3,210.00	
963	Nelson, Roxy	CL	84/05/17	6,263.74	1
907	Nez, Billy	PM	84/07/19	15,367.00	
949	Nez, Billy Chee	PM	84/09/14	2,522.00	
786	Nez, Carl	PM	87/02/18	346.00	
550	Nez, Danny	PM	87/04/09	2,951.00	
312	Nez, Genevieve	PM	85/08/15	11,890.50	
1841	Nez, Katie Y.	PM	85/06/27	19,363.00	
1128	Nez, Leonard Yazzie	CL	84/06/29	4,028.00	1
650	Nez, Nellie	PM	86/04/29	3,812.00	
776	Nez, Walter Thomas	PM	86/09/12	744.60	
525	Sands, Jimmie Joe	PM	87/04/01	1,800.00	
365	Sands, Zona Lenora	PM	85/06/24	7,272.00	
468	Shepherd Sr., Dan	PM	85/11/21	5,830.00	
469	Shepherd, Helena	PM	85/08/06	16,654.00	
898	Shepherd, Marie	PM	84/11/16	22,902.00	
155	Sheppard, Larry	PM	84/11/29	4,101.00	
722	Sloan, David	PM	86/05/09	9,682.00	
158	Teasyatoh, Lorenzo	PM	84/11/15	2,937.00	
261	Thomas, Hazel	PM	85/09/20	3,082.50	
935	Tsosie Sr., Kee	PM	85/07/18	14,311.00	
896	Wesley, Donald	PM	84/04/11	6,407.00	
52	Wesley, John	PM	84/10/12	5,743.40	
826	Williams, Alma	PM	86/01/14	7,561.00	
859	Wilson, Isabelle E.	PM	84/11/06	5,513.85	
868	Yazzie, Anita Rose	PM	84/07/30	6,950.00	
1635	Yazzie, Ella Mae	PM	86/02/21	17,223.00	
871	Yazzie, Jimmy	PM	84/07/31	20,346.00	

CLIENT MASTER/MEMBER FILE

Appraisals: CCD R'd

CASE NUM	CLIENT NAME	AGCY STAT	DATE RELOC	APPRAISAL AMOUNT	CD CLOS
453	Yazzie, Louise R.	PM	85/08/13	10,623.40	
948	Yazzie, Lucy Ann	PM	84/08/09	6,198.00	
454	Yazzie, Mary Ann	PM	86/06/19	8,753.75	
624	Yazzie, Mary Bitsi	PM	84/08/08	12,697.00	
456	Yazzie, Mattie	PM	84/08/08	8,473.77	
457	Yazzie, Peter	PM	84/08/07	11,144.87	
681	Yazzie, Tom K.	PM	85/06/25	25,386.00	
24	Yonnie, Ross	PM	84/07/28	4,372.00	
				714,777.60	

CLIENT MASTER/MEMBER FILE

Appraisals: CCD Not R'd

CASE NUM	CLIENT NAME	AGCY STAT	DATE CLOSED	APPRAISAL AMOUNT	CD CLOS
1969	Begay, Mary Rose	CL	85/08/15	5,209.00	8
887	Rope, Lucille	CL	83/02/15	7,844.00	6
1124	Titley, Lilly	CL	84/04/23	12,403.86	6
				25,456.86	

CLIENT MASTER/MEMBER FILE

Appraisals: MFA Not R'd (1/2)

CASE NUM	CLIENT NAME	AGCY STAT	DATE CLOSED	APPRAISAL AMOUNT	CD CLOS	DATE DECEASED	DECEASED CODE	CODE DETERM
620	Bedonie, Lorenzo	CL	85/07/26	4,601.00	5	0/00/00		D
1068	Begay, Augusta Ann	CL	86/01/31	1,530.00	2	0/00/00		D
2155	Begay, Christine K.	CL	86/01/27	3,429.00	2	0/00/00		D
355	Begay, Dale	CL	84/04/06	2,716.40	5	0/00/00		
182	Begay, Joe Hosteen	CL	85/09/30	1,170.50	2	0/00/00		D
1347	Brown, Stella B.	CL	85/02/28	5,983.00	6	81/10/01	Y	C
1702	Chee, Martha I.	CL	86/01/31	10.00	2	0/00/00		D
1469	Etsitty, Irene I.	CL	86/07/10	22.50	F	0/00/00		D
847	Honie Sr., Franklin	CL	84/08/03	12,813.00	2	0/00/00		D
244	Horseson, Harry D.	CL	84/02/27	398.00	5	0/00/00		
1212	Hosteenez, Aszan Bah	CL	83/12/14	2,926.00	6	80/08/15	Y	
2649	Jackson, Anita K.	CL	86/02/07	7,637.00	2	0/00/00		D
1548	Polacca, Rex G.	CL	84/07/06	33.90	F	0/00/00		D
1527	Semallie, Lola	CL	86/02/07	559.00	2	0/00/00		D
181	Sloan, Curtis	CL	83/02/04	5,320.00	F	0/00/00		D
1043	Tapaha, Dzanil	CL	84/04/23	14,280.00	6	79/06/14	Y	
635	Thompson, Edgar	CL	83/12/14	6,025.00	6	0/00/00	Y	
419	Walker, Nancy	CL	82/11/05	5,402.00	F	0/00/00		D
717	Yellowhair, Sr, Kee Y.	CL	83/12/14	2,666.00	6	81/02/01	Y	
				77,522.30				

LETTER FROM ROBERT J. WILLIAMS, REGIONAL AUDIT MANAGER, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF THE INTERIOR

April 24, 1987

Mr. Hawley Atkinson, Chairman
Navajo and Hopi Indian Relocation Commission
P.O. Box KK
Flagstaff, Arizona 86002

Dear Mr. Atkinson:

In response to an April 16, 1987, request from Mr. Michael McAlister, of your office, we are providing comments on the contract monitoring procedures recently developed by the Commission. Our comments are limited to the Commission's procedures as evidenced by the task assignment and billing documents provided by your office, and should not be considered as an approval of any vendor payments to which the documents specifically pertain.

We did not receive and, consequently, did not review supporting narrative summaries which the vendor is also required to provide. According to Mr. McAlister, such summaries will accompany future billing statements and associated task documentation. We would like to point out, however, that it is incumbent on the vendor to provide sufficient information in the summaries to allow for reasonable verification of the billed costs. Accordingly, the Commission should require that narrative summaries be prepared in sufficient detail to show the nature of the service provided, the date of performance, and the particular task assignment to which the work was related.

In regard to the data which we did receive, we recommend that:

1. The Commission Chairman/authorized ordering official review and formally confirm the "task assignment forms" received from the vendor.

2. The Commission make task assignments as definitive as possible to ensure that adequate control can be maintained over the contract. For example, task numbers 1 and 5 are so overly broad that there appears to be little restriction or control placed over the types of service the vendor is allowed to perform. Thus, the Commission may be perpetuating its prior practice of paying the vendor for tasks that had not been specifically authorized or were not commensurate with the contract billing rates.

3. The Commission prepare a telephone log or other documentation to provide a method for verifying charges billed under the "general counsel" task assignment (task number 7).

Except for the items discussed in the preceding paragraphs, and with the qualification that we have not reviewed the supporting narrative summaries, we believe that the Commission's revised monitoring procedures should provide for adequate control and improved contract administration.

If you have questions regarding our comments, please call me or Mr. Charles Lyons, Regional Audit Supervisor, at (916) 978-4883.

Sincerely,

Robert J. Williams
Regional Audit Manger

QUESTION A recent Inspector General's report outlined a number of administrative deficiencies within operations of the

Commission. I believe the Commission has cleared up most of these deficiencies. Last year's Senate Report, however, requested a response to supplement the FY 88 budget request. Are any deficiencies remaining? If so, what are they and when will they be cleared up? What is the status of the Senate's request?

RESPONSE See above.

QUESTION The Inspector General's report also indicated that there were serious discrepancies in the Commission's criteria for determining eligibility for benefits and the actual way eligibility is established. According to regulations, the burden of proof is on the applicant yet many files of certified households contain none of the required proof of residency.

In addition, according to the Commission's regulations, certified individuals must be self-supporting which means that an individual must be responsible for at least one-half of his living costs. The Commission, however, has certified as eligible for benefits single high school students whose only income is from summer employment through the Navajo Tribe. This has greatly expanded the costs of the program and the number of households eligible for relocation benefits.

To correct this problem, bill language was included in the FY 87 Continuing Resolution requiring the Commission to review the eligibility of all households certified as eligible and decertify those who have been certified contrary to law or regulation. Those decertified are to be given the opportunity to appeal this decertification before an administrative law judge.

How far along in the review of the 1500 casefiles is the Commission? If any have been decertified, are their appeals underway?

RESPONSE The Commission is presently undertaking the decertification review directed by Congress in last year's appropriations bill. The Commission's in-house counsel has reviewed approximately 1,250 of the 1,500 casefiles of individuals currently certified as eligible for relocation who have not yet received benefits. As of this date, 196 of those casefiles have been referred to the agency's certifications and appeals branch for further clarification and/or additional documentation. The remainder of the 1,250 cases reviewed have been recertified as fully eligible by the agency's in-house counsel. The 196 cases which have been referred back for further documentation are not to be considered decertified at this point in time. The clients will be afforded an opportunity to provide the documentation which is not currently in the file, and it is anticipated that many of the individuals in this category will be able to provide such satisfactory documentation to verify their certification. To this point in time, there have been no decertifications. The Commission has developed a procedure for accomplishing the decertification process and it is anticipated that the first notice of decertification will be sent within the next 60 days. Nothing in this response should be considered as a prediction of the number of individuals who will ultimately be decertified.

QUESTION Your authorization expires at the end of 1987. What is the status of any extension you may be proposing?

RESPONSE The Commission submitted to the Office of Management and Budget, in February of this year, its proposed reauthorization language. The Commission has proposed that its housing funding be extended for a period of time necessary to complete relocation. Additionally, the Commission has requested an increase in the bonus funds available in an amount sufficient to satisfy the government's obligation under that section of the law. This proposal is presently under review by the Office of Management and Budget and a final decision is anticipated the week of May 4, 1987.

QUESTION The FY 87 Continuing Resolution included language stating that it is not the intent of the managers to allow migration back to the Hopi Partitioned Land. Funds have been provided to the Commission and to the Bureau of Indian Affairs to move forward with the development of the New Lands so that relocation may proceed. Has there been a problem of resettlement back to the Hopi Partitioned Land by those who have already relocated? If so, what actions has the Commission taken?

RESPONSE The Commission is not aware of a problem of resettlement back to the Hopi Partitioned Land by those who have already relocated.

QUESTION Your FY 88 budget request indicates that you will be using a portion of the housing funds to underwrite the costs of specific project engineering design activities. These costs are properly allocated to this category because they are directly associated with the provision of housing and infrastructure on the New Lands. What do you anticipate these costs to total? In previous years, where were these costs allocated?

RESPONSE It is anticipated that these costs will total approximately \$3.5 million for fiscal years 1986 through 1989. In previous years there were no costs in this category as all planning was socioeconomic in nature and was funded from the Discretionary Funds category. Beginning in early fiscal year 1986 the Commission transitioned to the actual engineering of communities, to include road, water and electrical systems and at this point in time, the funding source was shifted to the housing category as these activities were directly in support of the acquisition of lands and structures.

QUESTION During FY 87 and FY 88, the Commission will maintain a planning program with the Navajo and Hopi Tribes to develop multifaceted land usage alternatives for available sites. A key ingredient of this program will be the actual involvement of relocatees in its implementation. Has this program been implemented? If yes: What has the reaction been so far and how are the relocatees involved? If yes: Was the February 8, 1987, meeting that Commissioner Massetto had with 50 Navajo elders at Big Mountain part of this program implementation? If no: What was the purpose of the 2/8 meeting and will a similar meeting be held for the Hopi's? If no: How will the program be implemented?

RESPONSE The Commission has been involved in such land use planning for the past several years. The Commission's planning contractor, CH2M Hill has conducted a variety of meetings with relocatees as well as Tribal offices involved with economic development, land use planning, and other land use functions. The entire process of New Lands planning has been oriented toward ensuring that relocatees, appropriate Tribal departments, appropriate and necessary agencies of the Federal Government, such as the Bureau of Indian Affairs, the Indian Health Service, as well as the Commission have had full access to input on the eventual usage of the New Lands within the parameters required of the Commission. The February 8, 1987 meeting was not specifically oriented toward input on a particular issue regarding the New Lands planning. Any official of the Commission participating in such a meeting who receives input that should be considered, should document such input and make it part of the record for consideration in the overall planning. The general purpose of the February 8th meeting was to demonstrate to the elders at Big Mountain that the Commission was concerned about their feelings regarding relocation in general and the New Lands development. Such meetings have been held periodically throughout the history of the Commission. A similar meeting has been held with the Hopis.

QUESTION Your FY 88 request proposes a decrease of $412,000 (-11 percent) from the FY 87 base for the Operation of the Commission. Since the majority of the operation costs are fixed, this reduction will be absorbed in the "other services category". What do you include in the "other services category?" What is the impact of this reduction? Do you anticipate any carryover balance in this category that would help in FY 88?

RESPONSE The "other services category" includes all of the agency's contracting activities such as various post-move counseling services, agency legal services, general contracting activities such as equipment maintenance agreements, etc. The Commission has taken steps to bring some of its legal services onto a payroll status and will of necessity have to reduce some other contract activities if the other services category remains at this reduced level. While there were carryover balances from '86 to '87 in this category, the Commission is not currently anticipating a carryover balance from 1987 to 1988.

QUESTION According to your testimony, the Commission has undertaken an extensive survey of families awaiting relocation to determine their present circumstances. A significant number of the 1,050 families residing off the Hopi Reservation have expressed a desire to remain living on the existing Navajo Reservation. As the results of the survey are analyzed, the Commission may reevaluate its priorities so that those families who are elderly and/or living in deplorable conditions receive benefits first. The Commission will prepare a comprehensive report on its findings as a result of the survey. It is the Commission's hope that sufficient funds can be made available to expedite the relocation of those families in need. How many of the 1,050 families have you interviewed? When will you finish the survey and when will a report be filed? Is it too early to tell what the cost would be to move those families in need?

RESPONSE Of the approximately 1,215 certified eligible families who are awaiting relocation, the survey proposed to interview 1,017 (those families who have not been referred to the Commission's housing department). Of the 1,017 families in the survey, the Commission has located and interviewed 1,005 as of May 4, 1987. Seven heads of household refused to be interviewed and five have not been interviewed. Questionnaires have been sent to the five heads who have not been interviewed, and the Commission will continue to try to obtain their responses.

The survey is essentially completed. The Commission expects to analyze the report data within the next 60 days and to present a comprehensive report on its findings to the Committee within 120 days.

ENUMERATION

QUESTION P.L. 93-531 required the Commission to do an enumeration of families living on the lands partitioned to the other tribe. The Commission also identified the value of the "habitations and improvements owned by the heads of households" who have been identified through the enumeration. Please provide for the committee record a list or lists which match all the people who have had improvements appraised with those people who have received their benefits and moved, and with those people who are no longer on the HPL but have not received their benefits. Also, provide for the committee record the number of families who are on the appraisal list who have not received appraisal payments and the total value of unpaid appraisals.

RESPONSE There have been 620 appraisals. 366 of these persons have received their relocation benefits.

The following tables gives information on the number and valve of appraisals.

NUMBER

---	Client Relocated and Appraisal Paid	Not Relocated and Appraisal Paid	Will Relocate and Will be Paid	All
MPA	268	19	104	391
CCD	+ 76	+ 3	+150	+229
All	344	22	254	620

Clients who are not currently and continuously residing on land partitioned to the other Tribe are considered to have Moved Pursuant to the Act, and are identified as "MPA". Clients who are currently and continuously residing on land partitioned to the other tribe are considered to be Currently and Continuously Domiciled there, and are Identified as "CCD".

The Category "Not Relocated and Appraisal Paid" consists of clients who were denied eligibility and paid for appraisa~~ls~~, and clients who died and whose estates have been paid for appraisals.

VALUE[1] (Rounded)

	Client Rlctd/ Aprsl Paid	Not Rlctd/ Aprsl Paid	Will Rlct/ Will be Paid	All
MPA	$2,148,050	$ 77,522	$ 667,776	$2,893,348
CCD	+ 714,778	+ 25,457	+1,681,827	+2,422,062
	$2,862,828	$102,979	$2,349,603	$5,315,410

The accompanying computer listing entitled "Appraisals: All" provides the owner of record & amount of all appraisals -- 620 appraisals valued at $5,315,410.

The accompanying computer listings which are identified below provide the names and appraisal amounts for clients who have moved and who have had their appraisals paid:

"Appraisals: MPA Received"	268	$2,148,050
"Appraisals: CCD Received"	76	714,778
"Appraisals: MPA Not Received (1/2)"	19	77,522
"Appraisals: CCD Not Received"	+ 3	+ 25,457
	366	$2,965,807

---

[1] Appraisals which have been paid were increased by the Boech Modifier at the time of payment. Appraisals which "Will be Paid" will be so increased at the time of payment. for relocation onto the New Lands. How many of these families are now not residing on the Hopi Partitioned Lands? Based on your work with the BIA how many of those families who are HPL residents have indicated that they are willing to move to the New Lands?

A total of 254 families who have not yet relocated (104 MPA and 150 CCD) have appraisals valved at $2,349,603 (667,776 for MPA clients and $1,681,827 for CCD clients).

NEW LANDS

QUESTION Last year the New Lands acquired for relocation purposes were all transferred into trust status. The Commission has been working with the BIA and IHS to prepare these lands for settlement. According to a BIA memo dated February 2, 1987, 34 families have indicated a preference

RESPONSE The actual names of the 34 families that have been identified by the BIA as indicating a preference for the New Lands have not been provided to the Relocation Commission.

Based on the Commission's work with the BIA, we believe that approximately 36 families have indicated a willingness to move to the New Lands.

QUESTION This same memo states that 14 families/households have signed relocation contracts. How many of the fourteen families are HPL residents? How many are non-HPL residents?

RESPONSE Of the fourteen families that were mentioned in the BIA memo, eleven are HPL residents and three are non-HPL residents.

NEW LANDS - WATER

QUESTION What have been the results of the CH2M Hill well drilling? How many wells have been tested for the community water system? Were they able to find wells which pump sufficient water? Have they been able to give you their opinion on whether they will be able to find a well which pumps water sufficient to meet the needs of the new communities on the New Lands? What is the alternate plan if sufficient water cannot be found?

RESPONSE There have been a total of three wells drilled and tested by CH2M Hill for the community water system. The first two wells did not have sufficient water for the community water system. The third well is currently being test pumped to determine the capability of the well. Early indications are that this well is capable of producing 100 gpm. In a meeting scheduled for May 1, CH2M Hill will present the Commission with recommendations for the development of a community water source.

The IHS is currently evaluating the Houck water system to evaluate if sufficient water is available from that source to meet the needs of the New Lands relocatees.

QUESTION Who will pay for the operation and maintenance on the wells system?

RESPONSE The IHS will not develop a community water system for the New Lands until they have received a commitment from the Navajo Tribe to operate and maintain that water system. The interim water systems that are currently being developed by the BIA will be operated and maintained by the BIA until they are taken over by the Navajo Tribe.

QUESTION The USGS has been conducting a study of the Rio Puerco area water. According to a March 27th, 1987 letter to Assistant Secretary Ross Swimmer, USGS presents the preliminary findings of EPA with respect to the health risks entailed in using well water from near the Puerco for human consumption. I understand samples from at least 15 wells were analyzed by EPA.

At least 4 of the wells were found to pose slight health risks. Another 4 posed insignificant health risks requiring quarterly sampling. 2 wells were not considered acceptable as long-term sources for domestic consumption.

Understanding that any indication of health risks frequently cause concern among people, what does the Commission intend to do to address these findings? What specific plans or steps do you intend to take to make sure that the water will be safe and be monitored on a regular basis for the people moving to the New Lands?

RESPONSE The Commission has not yet received EPA's report.

At a march 26, 1987 briefing held by USGS, the Commission was advised of the results of USGS's reconnaissance study of the Rio Puerco. The results of the lab tests of the December, 1986 samples were sent by USGS to EPA for an assessment of the health risks posed by any contamination that was present. EPA communicated with USGS by telephone about some of their (EPA) findings. We were advised of the following EPA findings:

- None of the well water samples constitute a large health risk. The samples that do show radioactive contamination have an amount of contamination in the lower range of what EPA anticipates will be its primary standards; therefore, the health risk is not considered to be high.
- Water from approximately one-third of the wells was okay -- nothing has to be done.
- Water from approximately one-third of the wells has contamination at a level that calls for monitoring via quarterly or bi-annual sampling and analyses.
- Water from approximately one-third of the wells has contamination at a level that is above the anticipated standard, but at a level not high enough to constitute a large health risk. Long-term consumption of water from these wells by the same persons calls for finding alternative water supplies or installing treatment equipment.

The issue of contamination in the Puerco contaminating surrounding aquifers was not addressed by USGS study. However, a review of the information that is available suggests that it does not appear that pollution is moving from the Puerco into these aquifers. Also, USGS did not address the issue of water quantity on the New Lands in this study. The quality of surface water in the Rio Puerco itself was not analyzed.

In the summary the USGS concluded that the presence of radionuclides in the alluvium of the Rio Puerco was "rather widespread" but "the severity of contamination does not seem to be particularly high anywhere." Based on these findings and the above EPA findings, the Commission believes that development and settlement of the New Lands may go forward. However, we believe that monitoring of the Puerco River is necessary, and that certain programmatic adjustments should be made.

To the extent that the Commission receives the relevant funding and is involved in development of the New Lands, future work will be guided by the findings that one-third of the wells require more monitoring and long-term consumption is discouraged at one-third of the wells. Monitoring programs will be undertaken and alternative water sources will be found for the one-third wells where contamination is above the anticipated standard, because it seems likely that there will be long-term consumption by the same persons of water from these wells. Also, the Commission will insure that our work does not involve using these wells as long-term sources of water -- this includes the school at Sanders.

The Commission is ~~currently ex~~ploring two possible sites for the rural community. One, is approximately one mile from the Rio Puerco. The other is approximately two miles from the river. Although there are no other specific sites identified by the Commission at this time, if contamination of the Rio Puerco or the above mentioned problem wells are found to be a problem, the Commission is in general agreement that a site should be chosen which is served by other wells, and which will be sufficiently distant from the river to discourage access by children and animals.

A full range of chemical and radionuclide tests are being conducted by IHS and the BIA on the water from all wells being developed for domestic consumption. In addition to the initial tests, these wells will be placed on a monthly monitoring program approved by the EPA.

QUESTION The USGS recommends that the surface water should be sampled by at least two stations along the Puerco River. What action will the Commission take to see that this is done so any concerns about the possible contamination of the water system by the river can be assessed?

RESPONSE A monitoring program on the Rio Puerco itself will be undertaken that is consistent with the Commission's findings and its role in developing the New Lands. Such a program will involve both the USGS and the EPA, in much the same manner as the Rio Puerco reconnaissance study.

QUESTION I would like to ask the Commission to provide any findings on possible contamination of the water, both well and surface, and of the vegetation on the New Lands to the Committee as they become available.

RESPONSE The Commission will provide the Committee with findings about possible contamination of the New Lands, and the Rio Puerco, as they become available.

POST-MOVE COUNSELING

QUESTION Please explain how the post-move counseling is being accomplished. Which agency is providing the post-move counseling services? I have been told that some of the funds previously appropriated for this purpose may still be unspent. Please provide to the Committee a detailed report on how all funds appropriated for post-move counseling services have been spent.

RESPONSE Post-move counseling is being accomplished by Commission staff and by three contracts with outside agencies. These agencies are:

1. Native Americans for Community Action (NACA) in Flagstaff, Arizona, serving Flagstaff, Page and Coconino County. $62,000
2. Community Counseling Center in Winslow, Arizona, serving Winslow, Holbrook, and Navajo County, off-reservation. $35,000
3. The Navajo Tribe, serving the Navajo Reservation including the New Lands. $153,000

All funds for these contracts have been obligated.

DISCRETIONARY FUNDS

QUESTION I would also like a report which lists all the contracts funded by the discretionary fund for FY 1986 and FY 1987. The report should briefly describe the work funded, recipient agency, length of contract and amount of contract award.

RESPONSE Following are listings of the FY 1986 and FY 1987 discretionary fund contracts:

NHIRC Discretionary Funding - FY 86

Recipient	Term	Amount	Purpose
1. Hopi Tribe	2/11/86- 4/30/87	$ 49,100	To provide support for the Hopi Tribe to ensure their continued

				productive involvement in the implementation of Public Law 93-531.
2.	Navajo Area Health Service	11/8/85-completion	600,084	To provide community water supply/individual sewage system facilities for 43 homes in the Hardrock Chapter.
3.	Navajo Area Health Service	11/8/85-completion	494,000	To provide community water supply and individual sewage facilities for 50 homes in the Hardrock Chapter.
4.	Navajo Area Service	3/27/86-completion	1,306,000	To provide a community health water supply and waste disposal facilities to 20 homes in the Low Mountain Chapter.
5.	Navajo Tribal Authority	4/15/86-completion	3,006	To provide electrical utility hookups for 9 Hopi relocatee's who had previously been on solar photovoltaic systems.
6.	Navajo Area Health Service	10/27/86-completion	485,715	To provide a community water supply and waste disposal facilities for 31 homes in the Hardrock Chapter.
7.	Dine Bikeya Bahane	10/1/85-1/31/87	141,396	To disseminate information about the Relocation program to the Navajo people.
8.	Arizona Vocational Education	10/15/85-11/28/86	25,585	To develop a curriculum and visal aides to train relocatees in how to maintain their replacement homes.
9.	Productive Assistance Incorporated	11/1/85-10/31/86	84,945	To provide coordination and technical expertise to the Hardrock Agricultural Cooperative Development Program.
10.	Productive Assistance Incorporated	10/1/85-7/21/86	2,895	To print a brochure which describes the purpose/functions of the Hardrock Farm Coop.
11.	Citizens Against Substance Abuse	4-30-86-7-30-86	1,000	To fund a three day training seminar to enable NHIRC staff counselors and other community professionals to work more effectively with persons who have substance abuse problems.

NHRIC Discretionary Funding - FY 87

Recipient	Term	Amount	Purpose
1. Navajo Area Health Service	9/86-completion	$121,499	To design and construct a water supply system & waste disposal facilities for the Teesto/White Cone Chapters.

ECONOMIC DEVELOPMENT

QUESTION The Commission has been doing a needs assessment survey of the 1,200 families who are currently not living on the HPL but are entitled to relocation assistance. A preliminary review shows that 22 heads of household out of this group who are in the 20 to 45 age group prefer to relocate to the New Lands. Employment opportunities would obviously be very important to these individuals. What are the economic conditions on the New Lands? What is the nature of the economy on the New Lands or in the surrounding community? Are jobs available for people like these 22 heads of household who may end up living on the New Lands?

RESPONSE The New Lands constitute an island of economic promise in an area characterized by problems. On the liability side, Apache County has the second highest unemployment rate in Arizona and the Commission does not know of any jobs that are immediately available for relocatees. On the asset side the New Lands and surrounding areas have robust economic potential.

The local economy is a mix of the public and private sectors. Education, at the Sanders School, dominates the former, and retail sales to local residents and travelers dominate the latter. No doubt there will be an expansion in both areas as population increases.

Bringing the area's economic potential to fruition will require exploiting the area's natural advantages. For example, agri-grazing activities on the New Lands will provide the basis for meeting a portion of relocatee families' subsistence needs and have the potential to produce a surplus of products for cash sale. The transportation access afforded by Interstate Highway I-40 and the Santa Fe railroad also have the potential to enrich the New Land's economic conditions by providing access to larger markets. Tourism related activities can also generate jobs.

The Commission's efforts to promote economic development have involved working with experts, the Navajo Tribe, relocatees, and residents of the areas. This has entailed gathering and assessing information on people's skills; assessing the development potential along the portions of Interstate Highway 40 that borders the New Lands; dialogue with the Navajo Tribe's Departments of Community and Economic Development about what can be done to promote development; and meeting with local entrepreneurs to ascertain what can be done to help them encourage development.

QUESTION What kind of work has the Commission done in addressing the long-term economic development needs for the New Lands? I remember that last year the Assistant Secretary Ross Swimmer talked about locating a BIA business opportunity center on or near the New Lands. I presume the Commission has been working with the BIA on this project. What is its status?

RESPONSE The Commission's work in economic development planning and programming is constrained by the fact the Commission has a limited span of existence. Because of this it must keep the focus of its projects on activities designed to promote or encourage short-term development. Responsibility for long term projects must rest with the Navajo Tribe and BIA.

Commission staff have met with a representative of the BIA Business Opportunity Center at the Rensselaerville Institute. There have also been exploratory discussions with the United Indian Development Association, a second BIA Business Opportunity Center. The result has been a desire to see if specific projects can be identified and cooperatively promoted.

A further result of the Commission's economic planning has been a consensus that the best opportunities for development are at intersections of Highway I-40 and on the New Lands. Such development could include attracting new businesses to the area, expanding existing businesses, and small scale agri-grazing enterprises which provide subsistence and the sale-for-cash of surpluses.

The Commission has also offered to help establish a local community development corporation, which would serve as the organizational vehicle for creating project ideas and for seeking funding for these projects. Such a community development corporation would be independent of both the Commission and the Navajo Tribe, and could undertake long term projects. It should be able to support and undertake activities for the benefit of the relocatees and other residents without being constrained by the political sensitivity of the relocation issue.

In addition to the above, the Commission has established a field office on the New Lands. This facility may be staffed by local residents and will serve as a focal point for introducing relocatees to the area; as a work place for Commission and Navajo Tribe staff; and as a site for presentations to promote development of the New Lands.

QUESTION Another 566 of the 1,200 families have indicated a desire to relocate to other parts of the existing Navajo reservation. At least 100 of the 566 want to move to Tuba

City, a community on the western side of the reservation. How are you going to address the demand for jobs, community, medical or educational services which these families will bring into the community of Tuba City. What kind of planning activities would the Commission undertake in conjunction with a place like Tuba City so that the relocatees can be integrated into the community with the least economic and social stress?

RESPONSE The demands for jobs, community, medical, and educational services which relocatees bring to Tuba City will be met through cooperative planning with the chapter, Tribe and other agencies. This approach proved successful in creating the Tuba City Subdivision which will provide homesites for relocatees. The Commission anticipates a similar result from using this approach to meet other needs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH RESOURCES AND SERVICES ADMINISTRATION

INDIAN HEALTH SERVICE

STATEMENT OF DR. EVERETT RHOADES, DIRECTOR

ACCOMPANIED BY:
- **JOHN H. KELSO, ACTING ADMINISTRATOR, HEALTH RESOURCES AND SERVICES ADMINISTRATION**
- **MILBURN ROACH**
- **BILL PEARSON**

BUDGET REQUEST

Senator DECONCINI. We will now proceed to the Indian Health Service.

The fiscal year 1988 budget request is $796,835,000, a decrease of $132,229,000 below fiscal year 1987 appropriations to date. The $132,229,000 reduction is a decrease of $61,174,000 for Indian health services and a decrease of $71,055,000 for Indian health services with regard to the "Facilities" account. The President's budget provides zero for the new Indian health facilities.

Dr. Everett Rhoades is our principal witness. Welcome, Dr. Rhoades. I understand that Dr. David Sundwall had to leave and could not be here, is that correct?

If you would like to introduce your fellow colleagues and proceed to summarize your statement, I would appreciate it.

OPENING STATEMENT

Dr. RHOADES. Mr. Chairman, this budget request reflects the Indian Health Service contribution to dealing with a continuing soaring national debt, and it reflects a series of difficult choices having to do with clinical priorities.

A number of objectives for 1988 address initiatives that we believe will help us better serve American Indians into the 1990's. One focus is to strengthen the overall Indian Health Service program, particularly in the area of Indian self-determination and tribal activities. In the 12 years since passage of Public Law 93–638, the Indian Health Service, in conjunction with the various tribes, has made substantial progress in increasing the opportunities for Indian tribes to manage and operate their own programs.

We are now seeking ways to overcome barriers and to enhance the opportunities for tribal contracting. We are continuing to work with interested tribal officials to implement a variety of improvements in the 638 contracting process.

Second, we are placing significant and increasing emphasis upon health promotion and disease prevention in all Indian Health Service areas. Each area has a specific plan for health promotion and disease prevention. Our aims are specifically weight reduction, decreased cardiovascular pathology, and decreased morbidity from diabetes.

We are planning a major national meeting in June of this year, in order to review the various programs scattered throughout the United States and to plan ways that we can even be more effective in raising the status of health for Indian people to the highest possible level. As a corollary to that, everyone has recognized for a number of years that alcoholism and substance abuse is a severe problem in the Indian community. We are working in the early stages at what appears to be a very successful collaboration with the Bureau of Indian Affairs, which has now been formalized through a memorandum of agreement to carry out the provisions of the Omnibus Drug Act, Public Law 99–570.

Mr. Chairman, I and the colleagues with me at the table would be happy to answer any questions that you may have relating to our budget.

PREPARED STATEMENT

Senator DECONCINI. Thank you very much. We will place your statement in the record at this point and then go on to some questions.

[The statement follows:]

STATEMENT OF EVERETT RHOADES

I am Dr. Everett Rhoades, Director of the Indian Health Service. I am accompanied by Dr. David N. Sundwall, Administrator of the Health Resources and Services Administration, and from the Indian Health Service, Mr. G.H. Ivey, Deputy Director, Mr. Milburn Roach, Acting Associate Director for Administration and Management, Dr. Ward Hurlburt, Associate Director, Office of Program Operations, Ms. Luana Reyes, Associate Director, Office of Planning, Evaluation and Legislation, Mr. Art Thomas, Acting Associate Director, Office of Tribal Activities, and Mr. Bill Pearson, Associate Director, Office of Environmental Health and Engineering. We are pleased to be here today to discuss with you the Fiscal Year 1988 budget request for Indian Health programs.

The Indian Health Service (IHS) is the Federal bureau charged with administering the principal health program for American Indians and Alaska Natives. The goal of the IHS is to raise the health status of American Indian and Alaska Native people to the highest possible level. Its mission is threefold: 1) to provide and/or assure the availability of high quality, comprehensive, and accessible health services; 2) to provide increasing opportunities for Indians to manage and operate their own health programs; and 3) to serve as a health advocate for Indian people. In FY 1988, the IHS will continue its mission by providing comprehensive health services to over one million Indian and Alaska Native people, while embarking on a 10-year effort to achieve a self-determination goal to have Indian tribal organizations administer 75 percent of IHS hospitals and clinics by 1998.

Since the transfer of Indian Health programs from the Department of the Interior to the Public Health Service in 1955, the health status of Indians has improved dramatically. The IHS comprehensive delivery system has developed three modes of health care delivery. First, the direct health delivery system, which is administered directly by IHS staff, provides services through the operation of 45 hospitals, 72 health centers, and several hundred smaller health stations and satellite clinics. The second is the tribal health delivery system, which is administered by tribes and tribal organizations through contracts with the IHS. These tribal organizations operate 6 hospitals and approximately 300 outpatient health clinics.

The third is the contract health services. This mode of health care delivery purchases medical care from non-IHS and non-tribal providers. We consider contract health services to be an important and integral part of the comprehensive IHS health care system. Contract health services represent services either not available in IHS's direct or tribal facilities, or in locations where no IHS or tribal facility exists. The IHS has approximately 1,300 contracts with private providers primarily for the delivery of specialty care.

For Fiscal Year 1988, the budget request for the IHS includes $874.9 million in total obligations and $799.8 million in budget authority, of which $794.4 million is for Indian Health services, $2.4 million is for the Indian Health facilities modernization and repair program currently under the Indian Health Facilities appropriation, and $3.0 million is permanent budget authority for the operation and maintenance of personnel quarters. The difference between the proposed obligation amount and the proposed budget authority consists of anticipated miscellaneous reimbursements including approximately $60 million from Medicare and Medicaid sources to correct deficiencies in IHS facilities, plus $8 million from private insurers, the authority for which will require separate authorizing legislation.

The FY 1988 budget proposal for the Community Health Representatives (CHR) program includes a three-year phase-over to other funding sources beginning in FY 1989. The IHS funding for the Urban Indian Health Program will be phased out over three years.

In order to maintain a quality health care delivery system in the future, the Indian Health Service will initiate policy and management strategies that will continue a cost effective and efficient program in the delivery of health care. As we move into the 1990's, we anticipate a continued increase in demand for services and a growing beneficiary population. A number of our FY 1988 objectives address the initiatives that we feel will help us better serve the American Indian and Alaska Native population in the 1990's.

One broad focus in strengthening the overall IHS program is in the area of Indian self-determination and tribal activities. In the twelve years since the passage of P.L. 93-638, the Indian Self-Determination and Education Assistance Act, the IHS has made significant progress in increasing the opportunities for Indian tribes to manage and operate their own programs. In order to overcome barriers and enhance the opportunities for tribal contracting, IHS is working with interested tribal officials to implement a variety of improvements in the 638 contracting process. These include streamlining and simplifying the contracting process, addressing indirect costs, and providing technical assistance in the contracting process. IHS has maintained direct communications with Indian tribes through consultation at national Indian organizational meetings; and through meetings sponsored by IHS Headquarters and Area Offices.

Second, we have placed significant emphasis on health promotion and disease prevention (HP/DP) in all IHS areas. Each IHS Area Office has an HP/DP plan in effect which has included Area symposiums with tribal involvement. Our environmental health program, nursing program, and community health representatives program are also involved in working with tribes in the HP/DP area. We feel that the IHS can significantly impact the overall health status of the American Indian and Alaska Native population by promoting healthful lifestyles, instituting community injury control programs, and continuing the provision of disease prevention services. These efforts, and others in the HP/DP area, will continue to increase in the future.

In this same area, we have recognized for a number of years that alcoholism and substance abuse is a severe problem in the Indian community. We have already started working with the Bureau of Indian Affairs (BIA) in this area and will formalize our effort with the BIA through a Memorandum of Agreement (MOA) to carry out the provisions of the Omnibus Drug Act, P.L. 99-570. The major thrust of the MOA will be to determine and define the scope of the drug and alcohol problem and to commit and coordinate resources to control the problem. We will focus on prevention services aimed at youth. We will continue to enlist the support of tribes in this effort. In FY 1988, the IHS will continue its drug and substance abuse efforts within the Hospitals and Health Clinics activities. The level of effort will be adjusted to take into account the overall needs of the IHS programs.

The management of the IHS program is a third area that we are strengthening. We have instituted a number of ongoing program efforts that we feel will provide information on how we can better manage our programs. For example, IHS has recently entered into an agreement with Blue Cross/Blue Shield to serve as a fiscal intermediary. IHS is also continuing the review of the IHS field organization in order to maintain an equitable distribution of staff resources among our Area Offices. In addition, we are continuing to refine our method for the equitable allocation of resources among tribes and service units for health services, with the goal of providing available health care resources directed at the area of greatest need.

We are also looking at ways that we can establish and formalize relationships with health organizations for the benefit of tribes. The American Red Cross and local Red Cross chapters is one organization with which we have established a formal relationship on behalf of Indian tribes. It is expected that tribal communities will be strengthened by this relationship and have more resources available to their tribal members.

Finally, and in accordance with the President's new federalism policy, IHS is studying the possibility of establishing alternative methods of health care delivery such as health maintenance organizations, shared services, vouchers and preferred provider organizations for Indian tribes. We expect to consult with tribal representatives and tribal organizations in FY 1987 and continue in FY 1938 to discuss the alternatives that are available in this area.

Mr. Chairman and members of the Committee, I will be pleased to answer any questions you may have on the specifics of the FY 1988 budget request.

BIOGRAPHY OF EVERETT RHOADES

Born: Lawton, Oklahoma - October 24, 1931
Married: Berna'ine H. Toyebo
Children: Five

EDUCATION:

High School: Elgin High School, Elgin, Oklahoma 1945-1949

College: Lafayette College, Easton, Penn., Sept. 1949-June, 1952
No degree.

Medical School: University of Oklahoma School of Medicine
Oklahoma City, Oklahoma, September 1952-June, 1956,
M.D. Degree

Advanced Training: Internship: Gorgas Hospital, Canal Zone, July 1, 1956 - July 1, 1957

Residency: Internal Medicine, University of Oklahoma Medical Center, July 1957-July, 1960

Chief Resident Medicine: University of Oklahoma, July, 1960 - July 1961.

Sub-Specialty Interest During Residency Training: Infectious Disease (18 months total)

MEDICAL LICENSURE: Oklahoma, 1956

SPECIALTY QUALIFICATION: Diplomate American Board of Internal Medicine, 1963

TEACHING POSITIONS AND PROFESSIONAL EXPERIENCE:

1. Clinical Asst. in Medicine, University of Oklahoma Medical Center 1960-1961.
2. Chief, Infectious Disease Section, Wilford Hall USAF Hospital, 1961-1966.
3. Consultant in Infectious Disease, University of Okla. Med. Center 1963-1966.
4. Associate Professor of Medicine, University of Okla. Med. Center 1966-1972.
5. Asst. Professor of Microbiology, University of Okla. Med. Center 1966-1972.
6. Professor of Medicine and Adjunct Professor of Microbiology, University of Oklahoma Health Science Center, 1972 - 1982
7. Chief, Infectious Disease Section, University of Oklahoma Medical Center, 1968 to 1982.
8. Chief, Infectious Diseases Service University Hospital, 1975-1982.
9. Director, Indian Health Service, 1982 -
10. Assistant Surgeon General, USPHS 1982 -

MILITARY SERVICE:

Entered Active Duty September 9, 1957
Air Force Institute of Technology (Univ., of Okla. Med. Ctr., 1957-61)
Chief, Inf. Dis. Sec., Dept. of Med., Wilford Hall USAF Hosp. Lackland AFB 1961-1966
Acting Chief, Pulmonary and Infectious Dis. Serv., Sept. 1963-1964
Area Consultant in Infectious Disease and Internal Medicine for Surgeon General 1965-1966
Promoted to Major December, 1964
Discharged honorably September 7, 1966
USPHS Commissioned as 0-8 (equivalent to Maj. General, U.S. Army) Feb. 1982

SOCIETIES AND ORGANIZATIONS

Phi Beta Kappa
Alpha Omega Alpha
Sigma XI

American Federation for Clinical Research
American Society for Microbiology
American Thoracic Society
Air Force Society of Internists & Allied Specialists
American College of Physicians, Fellow
Southern Cociety for Clinical Investigation
Infectious Diseases Society of America, Fellow
Oklahoma Thoracic Society - President 1973-1974

National Congress of American Indians
Southwest Oklahoma Historical Society
Association of American Indian Physicians (President 1972 & 1976)

Oklahoma Infectious Diseases Society
Oklahoma County Medical Society

AWARDS AND HONORS

Zeta Psi Scholarship to an Indian Student, Lafayette College 1949-1952
John Hay Whitney Opportunity Fellowship 1952-1956
Polio Foundation Fellowship 1954
Student Research Achievement Award 1956
Outstanding Achievement Award, Veterans Administration Hospital Oklahoma City, Oklahoma 1960, 1961
Unit Citation Award, Wilford Hall USAF Hospital 1965
Air Force Certificate of Merit 1967
Markle Scholar in Academic Medicine 1967 - 1972
Kiowa Tribal Black Legging Society (Veterans Honor Society)
Outstanding Achievement, Association American Indian Physicians
Oklahoma Lung Association Wonder Worker Award, 1974
Oklahoma Lung Association Breath of Life Award, 1977 (Highest Award of OLA)
U.S. Public Health Service Recognition Award 1977
National Honor Lecturer for Mid-America State Universities Association 1979
Association of American Indian Physicians Award of Excellence 1980 (Aug.)
Public Health Service Commendation Medal -1982
Public Health Service Citation -1983
Public Health Service Meritorious Service Medal -1985

COMMITTEES, PROFESSIONAL

Research and Education Committee, V.A. Hospital 1972-1973-Vice-Chairman 1975-1977, Chairman, 1977 -
Infection Control Committee, V.A. Hospital, Chairman, 1972
Infection Control Committee, University Hospital, Chairman, 1972 -
Faculty Advisory Committee, Department of Microbiology, 1971
Nominating Committee, Scientific Assembly on Microbiology (Chairman)
American Thoracic Society, 1975
Advisory Committee, Department of Medicine, 1975
Biohazards Committee, University of Oklahoma Health Sciences Center 1976 -
Admissions Committee, University of Oklahoma College of Medicine

CIVIC COMMITTEES AND ACTIVITIES:

Kiowa Tribal Business Committee 1967-1970; Vice Chairman 1974-1976; 1979-1981
Kiowa Tribal Land Management Committee 1967-1970
Area Health Advisory Board, Indian Health Service 1968-1972
Ad hoc Committee on Long Range Planning for Indian Health Service 1969
Health Committee National Congress of American Indians
Health Committee, Association on American Indian Affairs 1972
Policy Advisory Committee, Community Action Program, Oklahoma City (Indian Center) 1969-1971
Indian Advisory Committee, Department of Health Administration, University of Oklahoma Health Sciences Center 1972
Founding Member, United Tribes of Western Oklahoma and Kansas 1971
Founder, Association of American Indian Physicians 1971
Founder and donor, Dorthy Rowell Rhoades prize to graduating Indian Student Elgin High School, 1968 -
Chairman, Task Force on Indian Health, American Indian Policy Review Commission 1975 -
Advisory Committee, Headlands Program for Indian Students
Volunteer physician, Oklahoma City Urban Indian Clinic 1973-1976

BIOGRAPHICAL LISTINGS:

Directory of Medical Specialists
Dictionary of International Biography 1973
Who's Who in South and Southwest, 1973
American Men and Women of Science

Indians of Today
Contemporary American Indian Leaders

COUNCILS AND BOARDS:

National Advisory Allergy and Infectious Disease Council (NIH) 1971-1975
National Advisory Council on Minority Business Enterprise 1970-1972
Board of Directors, Assoc. on American Indian Affairs 1970-1982
Board of Directors, Progress Association for Economic Development, Oklahoma City, 1973-1975
Board of Directors, Oklahoma Lung Association 1975-1982
Board of Directors, Central Oklahoma Indian Health Project 1972-1982 (Chairman 1976)
Editorial Board - U.S. Public Health Reports 1982-
National Committee on Vital and Health Statistics 1978-1982

CONSULTANTSHIPS:

Consultant, National Library of Medicine 1971
Consultant, White House Conference on Food, Nutrition, and Health 1969
Consultant, Western Oklahoma Tuberculosis Sanatarium 1966-1972
Consultant, Eastern Oklahoma Tuberculosis Sanatarium 1967-1978
Consultant, Department of Medicine, University of Saigon School of Medicine 1970
Consultant, National Indian Leadership Training Program (Navajo Community College) 1970
Consultant, American Indian Commission on Alcoholism and Drug Abuse - 1972
Consultant, Board of Directors, Native American Center, Oklahoma City, 1973
Consultant, Oklahoma County Health Department in Sexually Transmitted Diseases 1970 - 1982

PUBLICATIONS:

1. Rhoades, E.R., Toland, Robert A., Jr.: Psychodynamic Factors in Munchauson's Syndrome. AMA Archives of Internal Medicine 104:427-429, 1959.

2. Welsh, J.D. (Editor), Discussion by Foerster, D.W., Camp, W.A. and Rhoades, E.R.: Torula Meningitis Treated with Amphotericin B. Journ. of Okla. State Med. Assoc. 1959, 681-687.

3. Rhoades, E.R., Muchmore, H.G.: The Effect of Amphotericin on the Respiration of Cryptococcus. Antibiotics Annual, 1959-60, Antibiotics Inc., New York, 1960 p. 619-621.

4. Rhoades, E.R., Ginn, H.E., Muchmore, H.G., Smith, W.O. and Hammarsten, J.F.: The Effect of Amphotericin B Upon Renal Function in Man. Antimicrobial Agents Annual, 1960, p. 539-542. Plenam Press, Inc., New York.

5. Rhoades, E.R., Muchmore, H.G., Hammarsten, J.F.: Pulmonary Cryptococcosis- Report of a Case Treated with Amphotericin B. Dis. of Chest 39: 533, May, 1961.

6. Welsh, J.D., Rhoades, E.R., Jaques, W.: Disseminated Nocardiosis Involving Spinal Cord. A.M.A. Archives of Internal Medicine 108:73-79, 1961.

7. Rhoades, E.R., Kein, L.J., Welsh, J.D.: A Case of Probable Tuberculosis of the Distal Colon. Gastroenterology 33:634, 1960.

8. Rhoades, E.R., Lythcott, G., Levinson, R., Cummings, M.M.: Skin Reactivity of Selected Indian Groups to Human, Avian and Battey Tuberculin. Transactions of the Twentieth VA-Armed Forces Research Conference in Pulmonary Diseases, 1961, page 228.

9. Muchmore, H.G., Rhoades, E.R., Nix, G.E., Felton, F.G. and Carpenter, R.E.: Occurrence of Cryptococcus Neoformans in the Environment of Three Geographically Associated Cases of Cryptococcal Meningitis. NEJM 268:1112-1114, 1963.

10. Harris, R. and Rhoades, E.R.: Varicella Pneumonia Complicating Pregnancy. Obst. & Gyn. 25:734, 1965.

11. Holliday, W.B. and Rhoades, E.R.: A Comparison of Reactor Rates to Atypical Mycobacterial Antigens in Air Force Recruits to the Tine Test. Am. Rev. Resp. Dis. 93:907-911, 1966.

12. Rhoades, E.R., McPhaul, J., McIntosh, D. and Rasch, J.B.: The Interpretation of Renal Changes Associated with Amphotericin B Administration. The Importance of Pre-Treatment Studies. Proc. of Symposium on Coccidioidomycosis, 1965, Phoenix, Arizona, pp. 137-140.

13. Maldanado, A., Felton, F.G., Muchmore, H.G. and Rhoades, E.R.: Experimental Cryptococcal Infection in Rabbits. Am. Rev. Resp. Dis. 94:589-594, 1966.

14. Triebwasser, J.H., Harris, R.E., Bryant, R.E. and Rhoades, E.R.: Varicella Pneumonia in Adults. Medicine 46:409, 1967.

15. Rhoades, E.R., Felton, F.G., Wilkus, J. and Muchmore, H.G.: Susceptibility of Human and Environmental Isolates of Cryptococcus neoformans to Amphotericin B. Antimicrobial Agents and Chemotherapy-1967 American Society for Microbiology, pp. 736-738.

16. Rhoades, E.R., Muchmore, H.G. and McPhaul, J.J.: Nephrotoxicity of Amphotericin B. Journal Lancet.

17. Rhoades, E.R., Riley, H. and Muchmore, H.G.: Cycloserine in the Treatment of Human Nocardiosis. Antimicrobial Agents and Chemotherapy 1961 American Society for Microbiology, pp. 352-358.

18. Bryant, R.E. and Rhoades, E.R.: Clinical Features of Adenoviral Pneumonia in Air Force Recruits. Am. Rev. Resp. Dis. 96:717-723, 1967.

19. Rhoades, E.R., Alexander, C.P. Reactions to the Tuberculin Tine Test in Air Force Recruits. Am. Rev. Resp. Dis. 98:837-841, 1968.

20. Muchmore, H.G., Felton, F.G., Salvin, S.B. and Rhoades, E.R.: Delayed Hypersensitivity to Cryptococcin in Man. Sabouraudia 6:285-288, 1968.

21. Ringrose, R.E., McKown, B., Felton, F.G., Barclay, Wm., Muchmore, H.G. and Rhoades, E.R.: A Hospital Outbreak of Serratia Marcescens Associated with Ultra-sonic Nebulizers. Ann. Int. Med. 69:719-729, 1968.

22. Mohr, J.A., Killebrew, L., Muchmore, H.G., Felton, F.G., Rhoades, E.R.: Transfer of Delayed Hypersensitivity. Journ. Am. Med. Assoc. 207:517-519, 1969.

23. Al-Doory, Y. and Rhoades, E.R.: Isolation of Histoplasma Capsulatum from a Texas Cave. Mycologia et Pathologia Applicata 35:201-207, 1968.

24. Howard, P. and Rhoades, E.R.: Management of Nosocomial Infections. Okla. State Med. Journ., May, 1969.

25. Carpenter, R.L., Hines, D. and Rhoades, E.R.: A Comparison of Histoplasmin Skin Test Reactions Using Mantoux and Tine Techniques. Amer. Rev. Resp. Dis. 101:306, 1970.

26. Pirtle, J.K., Monroe, P.W., Smalley, T.K., Mohr, J.A. and Rhoades, E.R.: Diagnostic and Therapeutic Advantages of Serial Quantitative Cultures on Fresh Sputum in Acute Bacterial Pneumonia. Amer. Rev. Resp. Dis. 100:831, 1969.

27. Coalson, J.J., Mohr, J.A., Pirtle, J.K., Dee, A.L., and Rhoades, E.R.: Electron Microscopy of Neoplasms in the Lung with Special Emphasis on the Alveolar Cell Carcinoma. Amer. Rev. Resp. Dis. 101:181, 1970.

28. Coalson, J.J., Nordquist, R.E., Mohr, J.A. and Rhoades, E.R.: Preliminary Ultrasonic and Tissue Culture Studies of the Alveolar Cell Carcinoma of the Lungs. Okla. Academy of Science No. 1, 1970.

29. Mohr, J.A., Muchmore, H.G., Felton, F.G., Rhoades, E.R. and McKnown, B.A.: Effect of Cryptococcin on Leukocyte Migration. Journ. of Inf. Dis., November, 1970.

30. Mohr, J.A., Rhoades, E.R., Muchmore, H.G.: Actinomycosis Treated with Lincomycin. JAMA 212:2260-2262, 1970.

31. Cook. W.L., Felton, F.G., Muchmore, H.G. and Rhoades, E.R.: Cell Wall Differences of Patient and Soil Isolates of Cryptococcus Neoformans. Sabouraudia 7:257-260, 1970.

32. Muchmore, H.G., Felton, F.G., Salvin, S.B. and Rhoades, E.R.: Ecology and Epidemiology of Cryptococcosis. Proc. International Symposium on Mycoses. Feb. 23-26, 1970. Pan American Health Organization Washington, D.C. No. 205.

33. Seward, C.W., Mohr, J.A., Rhoades, E.R.: An Outbreak of Histoplasmosis in Oklahoma. Amer. Rev. Resp. Dis. 102:950-958, 1970.

34. Rhoades, E.R., Ringrose, R., Mohr, J.A., Brooks, L., McKown, B.A. and Felton, F.: Contamination of Ultrasonic Nebulizers. Arch. Int. Med. 127:228-232, 1971.

35. Rhoades, E.R., Short, S.G.: Susceptibility of Serratia, Pseudomonas, and Enterobacter to Acetic Acid. Antimicrobial Agents and Chemotherapy, page 498, 1970 (published 1971).

36. Rhoades, E.R.: Morse Kent Taylor, 1823-1889, Pioneer Oklahoma Physician. Oklahoma State Medical Journal, February, 1972.

37. Rhoades, E.R. and Bullock, D.: Medicine in Southwestern Oklahoma Before Statehood. I. The Establishment of Ft. Sill I.T. Oklahoma State Medical Journal, December, 1971.

38. Rhoades, E.R. and Bullock, D.: Medicine in Southwestern Oklahoma Before Statehood II. Oklahoma State Med. Jour. February, 1972.

39. Mohr, J.A., Patterson, C.D., Eaton, B.G., Rhoades, E.R. and Nichols, N.B.: Primary Pulmonary Sporotrichosis. Amer. Rev. Resp. Dis. 106:260-264, 1972.

40. Rhoades, E.R. and Short, S.G.: Methicillin-Resistant Staphylococci. Letter in Lancet.

41. Coalson, R.E., Nordquist, R.E., Coalson, J.J., Mohr, J.A. and Rhoades, E.R.: Alveolar Cell Carcinoma: An In Vitro Study. Laboratory Investigation 28: No. I. pp. 38-47, 1973.

42. Mohr, J.A., Nordquist, R., Rhoades, E.R., Coalson, R. and Coalson, J.J.: Alveolar Cell Carcinoma (ACC) like Antigen and Antibodies in patients with ACC and other Malignancies. Cancer Research 34:1940-1907, August, 1974.

43. Mohr, J.A., Nordquist, R.E., Coalson, R.E., Rhoades, E.R. and Coalson, J.J.: Lymphoycyte associated antigen in patients wih Alveolar Cell Carcinoma. J. Lab. and Clin. Med. 86:490-493, Sept. 1975.

44. Nordquist, R.E., Coalson, R.E., Mohr, J.A., Rhoades, E.R. and Coalson, J.J.: Virus-like particles in a human lung tumor. 32nd Ann. Proc. Electron Microscopy Soc. Amer., St. Louis, Missouri, 1974.

45. Northey, D., Adess, M., Hartsuck, J.M. and Rhoades, E.R.: Microbial Surveillance in a Surgical Intensive Care Unit. Surgery, Gynecology & Obstetrics 139:321-325, September, 1974.

46. Felton, F.G., Muchmore, H.G., McCarty, M., Monroe, P. and Rhoades, E.R.: Epidemiology of Cryptococcosis: II. Evaluation of Patient's Environment. Health Laboratory Sciences II. No. 3 205-209 1974.

47. Coussons, R.T., Olemick, S.R. and Rhoades, E.R. Infections and Immune Systems. In: Papper, S., Ed. Manual of Medical Care of the Surgical Patient. Boston, Mass., Little Brown, 1976, pp. 155-182.

48. Czerwinski, A.W., Clark, M.L., Oehlert, W.H., Jr., Rhoades, E.R., Schultz, R.T., Shaw, M.T. and Whitsett, T.L. Drugs. In: Papper, S., Ed. Manual of Medical Care of the Surgical Patient Boston, Mass., Little Brown, 1976, pp. 285-329.

49. Rhoades, E.R., Copeland, L.: Extra Hepatic Complications of Viral Hepatitis. Oklahoma State Medical Journal. 68:40-43 Feb. 1975.

50. Brown, J.D., Mo, D.H., Rhoades, E.R.: Chloramphenicol-Resistant Salmonella Typhi in Saigon. JAMA 231: 162-166, Jan, 13, 1975.

51. Rhoades, E.R., Diwan, A.R.: Antibiotic Susceptibility of Staphlococcus aureus in Saigon, South Vietnam. American Journal of Tropical Medicine and Hygiene. 25:623-625, July, 1976.

52. Bedrossian, C., Coalson, J.J., Cook. W.W., Christianson, J.R., Deutsch, St., Elkins, R.P., Gray, B.A., Hammarsten, J.F., Harvey, C., Johnson, T.H., Juers, J.A., Mohr, J.A., Rhoades, E.R., Williams, G.R.: The Management of Massive Hemoptysis in a patient with Pulmonary Tuberculosis. Chest, 70:519-526, 1976.

53. Rhoades, E.R.,: Infectious Diseases Transmitted Directly or Indirectly from Animal to Man. In: Tedeschi, C.G., Eckert, W.G. and Tedeschi, L.G., Eds. Forensic Medicine. Philadelphia, Pa., W.B. Saunders, 1977, Chap. 67-1369-1377.

54. Rhoades, E.R.,: Report to the American Indian Policy Review Commission on Indian Health. U.S. Government Printing Office. Washington, D.C. 1976.

55. Norwood, O.T., Rhoades, E.R.: Infection with Hair Transplant Surgery. Hair Transplant Surgery 23:642-645, 1979.

56. Woodson, R. and Rhoades, E.R.: Schistosomiasis in Oklahoma. Oklahoma State Medical Journal 72: (No. 8) 293-297, Aug., 1979.

57. Rhoades, E.R. and Bryant, R.E.: The Influence of Local Factors on the Tuberculin Reaction. I. The Effect of Injection Technique. Chest 77:190-193, February, 1980.

58. Rhoades, E.R., Marshall, M.M., Attneave, C., Echohawk, M., Bjork, J., Beiser, M.: The Impact of Mental Disorders Upon Elderly American Indians as Reflected in Visits to Ambulatory Patient Care Facilities. Journ. Am. Geriatrics Soc. 28:33-39, 1980.

59. Hazaleus, R., Covington, T.R., Rhoades, E.R., Smith, D. and Parker, D.E.: Gentamicin Prescribing Patterns and Appropriateness of Usage in a Health Sciences Center. Contemporary Pharmacy Practice 36/Vol. 1, No. 1, Summer 1978.

60. Cunningham, J.M., Bulmer, G.S., Rhoades, E.R.,: Phagocytosis and Intracellular Fate of Sporothrix Schenckii. Journ. of Inf. Dis. 140:816-818, 1979.

61. Brockman, M.D., Rhoades, E.R.,: Myocardial Abscess and Fatal Sepsis Caused by Group B. Streptococcus (S. Agalactiae) in an Adult. Southern Medical Journal 72:1629, December 1979.

62. Littleton, H.R. and Rhoades, E.R.: Septic Discitis. Journ. Am. Osteopathic Assoc., April, 1980, Pages 113-116.

63. Downham, W.H. and Rhoades, E.R.: Endocarditis Associated with Porcine Valve Xenografts. Arch. Intern. Med. 139:1350-1352, December, 1979.

64. Rhoades, E.R.: A Seminar on Antibiotics. Okla. State Medical Assoc., June, 1980. Pages 176-179.

65. Rhoades, E.R., Marshall, M., Attneave. C., Echohawk, M., Bjorck, J., Beiser, M.: Mental Health Problems of American Indians Seen in Outpatient Facilities of the Indian Health Service, 1976. Public Health Reports 55: No. 4., July-August, 1980, pages 329-335.

66. Saah, A.J., Mallonee, J.P., Tarpay, M., Thornsberry, C.T., Roberts, M.A. and Rhoades, E.R.: Relative Resistance to Penicillin in the Pneumococcus. JAMA 243:No. 18, May 9, 1980, pages 1824-1827.

67. Rhoades, E.R.: Seminar on Antibiotics II. The Basis of the Antibacterial Actions of Antibiotics. Okla. State Med. Journ. 73, No. 8, pages 289-292, August, 1980.

68. Rhoades, E.R.: Seminar on Antimicrobial Therapy III. The Penicillins. Oklahoma State Medical Journal 73, No. 9, pages 318-324, September, 1980.

69. Rhoades, E.R.: Seminar on Antibiotics IV. The Cephalosporins. Oklahoma State Medical Journal Vol. 73, No. 10, pages 360-362, October, 1980.

70. Rhoades, E.R.: Seminar on Antibiotics V. Aminoglycosidic Aminocyclitols. Oklahoma State Medical Journal 73, No. 12, pages 409-412, December, 1980.

71. Rhoades, E.R.: Seminar on Antibiotics VI. The Tetracyclines. Oklahoma State Medical Journal. Vol. 74, No. 2, pages 31034, Feb., 1981.

72. Rhoades, E.R.: A Seminar on Antibiotics VII. Erythromycin and Clindamycin. Oklahoma State Medical Journal. Vol. 74, No. 3, pages 71-74, March, 1981.

73. Rhoades, E.R.: Infection. In: Papper, Solomon and Williams, G.R., Eds., Manual of Medical Care of the Surgical Patient. Boston, Mass., Little, Brown and Company, Chapt. 9:129-140, 1983.

74. Rhoades, E.R.: The Management of Pulmonary Nocardiosis in Cherniack, R. ed., *Current Therapy in Respiratory Medicine*, B.C. Decker Inc. To be published.

BIOGRAPHY OF JOHN H. KELSO

Position:	Deputy Administrator Health Resources and Services Administration U.S. Public Health Service Department of Health and Human Services
BIRTHPLACE AND DATE:	Iowa City, Iowa, June 16, 1925
EDUCATION:	B.A. - 1949 and M.A. - 1950, State University of Iowa
EMPLOYMENT BACKGROUND:	
August 19, 1986 to Present	Deputy Administrator Health Resources and Services Administration, PHS, DHHS
June 30, 1985 to August 19, 1986	Acting Administrator Health Resources and Services Administration, PHS, DHHS

September, 1982 to June 30, 1985	Deputy Administrator Health Resources and Services Administration, PHS, DHHS
January 1981 to September 1982	Acting Administrator Health Services Administration
1976 - 1982	Deputy Administrator Health Services Administration, PHS, DHHS
1973 - 1976	Director, Office of Regional Operations, Office of the Assistant Secretary for Health, DHEW
1971 - 1973	Associate Administrator for Management, Health Services and Mental Health Administration, DHEW
1968 - 1971	Assistant Administrator for Management, Health Services and Mental Health Administration, DHEW
1966 - 1968	Executive Officer, Public Health Service, DHEW
1962 - 1966	Assistant Executive Officer, BSS/Environmental Health, PHS, DHEW
1960 - 1962	Chief, Management Advisory Branch, BSS/EH, PHS, DHEW
1957 - 1960	Management Analyst, PHS, DHEW
1955 - 1957	Management Analyst, Department of Agriculture
1951 - 1955	Occupational Research Analyst, Department of the Navy

AWARDS:

DHEW Superior Service Award - 1969
DHEW Distinguished Service Award - 1972
Presidential Rank Award - 1982

Senator DECONCINI. The committee has just heard—perhaps you were here for the Navajo and Hopi Indian Relocation Commission testimony. There are a few questions I would like to ask about that, inasmuch as no one has yet moved to the new lands, it is difficult to estimate the service population, yet once movement begins, there may be a substantial influx in a relatively short period of time.

Given the time taken to rank the facility on the priority list from construction and the amount of time prior to actual funding for such construction, how would the Indian Health Service recommend the health services be provided to these new areas?

Dr. RHOADES. There are two major tracks that we certainly would take. One is the traditional provision of medical services which we are planning for. That will be determined, to a major extent, by the settlement pattern and the population density.

The second track and the most pressing one, I believe, at the moment, has to do with the provision of sanitation facilities.

Mr. Pearson, who is with me today, has been working specifically in that area for a number of months now, and I would like to ask him to address that question.

Mr. PEARSON. We have been working in coordination with the Bureau of Indian Affairs. We have assured the BIA that we will have the water supply available for those houses at the time of occupancy and construction of those houses. The schedule has been changed as various events have occurred. As recently as this morning, 8 o'clock, Arizona time, a contract was supposed to have been signed to initiate the construction on a major pipeline within the new lands area.

Senator DECONCINI. The Bureau of Indian Affairs has been provided $22 million to construct homes for Navajo relocations south of Sanders in the new lands.

Are you familiar with that?

Mr. PEARSON. Yes.

Senator DECONCINI. How do you plan to provide sanitation facilities for those homes, since the administration has requested a rescission of unobligated prior-year funds, which includes $3.52 million for sanitation facilities to BIA homes?

Mr. PEARSON. We have been advised now, Mr. Chairman, that the rescission was not approved by Congress. The funds have been made available to us, and we have continued on the project on the basis that we do have the funds available.

Senator DECONCINI. If this is true, why is the $4.4 million of fiscal 1986 appropriated—appropriations still unobligated?

Mr. PEARSON. That was correct, sir, until just the last few days. The funds have now been released, and we are proceeding to obligate now just as expeditiously as we can, and that is why I mentioned——

Senator DECONCINI. Has the IHS set aside enough funds to build the sanitation facilities for all these homes?

Mr. PEARSON. We have for all of phase I, Mr. Chairman. We will have to identify requests——

Senator DECONCINI. How much is that?

Mr. PEARSON. $3—$5 million. The appropriation that was designated by Congress in fiscal year 1987 permitted us $5 million, which would take care of phase I.

We expect to, as the project develops and phase II is required, which we estimate will be in fiscal year 1989—we will keep the committee advised and we will identify the need at that time.

Senator DECONCINI. That is $5 million for when? This year?

Mr. PEARSON. Fiscal 1987.

Senator DECONCINI. And you have that?

Mr. PEARSON. We have that.

Senator DECONCINI. What would you need for 1988?

Mr. PEARSON. At this time, Mr. Chairman, we legitimately do not see a need for fiscal year 1988.

Senator DECONCINI. How about 1989?

Mr. PEARSON. We anticipate a need for the additional $5 million to construct these two.

Senator DECONCINI. And will that complete everything that is necessary on those new lands?

Mr. PEARSON. Yes, sir.

SACATON STAFFING

Senator DECONCINI. The $3.1 million needed for the Sacaton Hospital was also proposed for rescission. The funds are now released, and I am advised that the end of construction is scheduled for March 1988.

What are the implications for additional staff and associated funding to operate this facility, once it is completed in fiscal year 1988?

Dr. RHOADES. I will ask Mr. Roach to respond to that.

Mr. ROACH. Mr. Chairman, the research requirement methodology, a tool used by the Indian Health Service to calculate manpower needs, has projected a need for 45 positions for that newly constructed facility in 1988.

Senator DECONCINI. With this request, you will be able to have the 45 positions?

Mr. ROACH. The fiscal year 1988 budget does not contain resources for additional staff.

Senator DECONCINI. Are you going to build a hospital and have no staff, unless we add the money on?

Dr. RHOADES. Senator DeConcini, once again, the decision relating to the staffing of Sacaton and certain other hospitals reflects the difficult choices in budget priorities. We certainly intend to proceed with opening and functioning of that hospital. Part of our plan for newly constructed hospitals includes phasing, phasing the staffing, depending on the time of year in which the hospital is opened, the facilities which are available in that hospital. We certainly would deal with the question of staffing of Sacaton according to our resource requirement methodology, in which they would be treated like the other facilities. We certainly would not complete construction of a hospital that would not be able to function.

Senator DECONCINI. But are you anticipating completing construction of the hospital and being able to staff it with 1988 funds, as requested?

Dr. RHOADES. There are existing staff in the existing Sacaton Hospital. Obviously, it would be continued in the new facility, and the resources that we would make available for staffing at Sacaton would depend upon our resource allocation methodology, in which they would be included, like all of the other facilities.

Senator DECONCINI. I don't want to belabor the point, but I guess my question is, Dr. Rhoades, it looks like this hospital is going to open in 1988; is that right?

Dr. RHOADES. Yes, sir.

Senator DECONCINI. That being the case, are you going to be able to staff it adequately with the requested funds that you have in your 1988 request, or are you going to need more dollars to adequately staff it?

Dr. RHOADES. The question of adequacy of staffing obviously is one of judgment. We believe that the hospital can be opened and adequately staffed with this request.

Senator DECONCINI. Did you make a request to OMB for staffing money for this hospital?

Dr. RHOADES. Did the Indian Health Service request—yes, sir. The initial budget preparation by the Indian Health Service included a request for additional staff for Sacaton at the time of its opening.

Senator DECONCINI. How much did you ask for?

Dr. RHOADES. We requested 45 positions.

Senator DECONCINI. And how many dollars is that?

Dr. RHOADES. The estimate of the dollar amount is $1.09 million, at the time this was prepared.

Senator DECONCINI. And that is just for what you project to be the part of the year that you would need those people?

Dr. RHOADES. That is correct.

KANAKANAK STAFFING

Senator DECONCINI. I understand there is a similar situation with regard to the Kanakanak Hospital in Alaska. In this case, the Congress provided the fiscal year 1987 operating funds in the amount of $1.8 million in the fiscal year 1986 supplemental; however, the fiscal year 1988 President's budget does not appear to include funding for operating this hospital.

What is the situation here and how does the IHS plan to cope with this one?

Dr. RHOADES. The answer for Kanakanak is essentially the same answer as that given for Sacaton. The supplemental made available in 1986 came near the end of the fiscal year, and those funds were sufficient for 1987 operation.

Senator DECONCINI. But you ask for no funds in 1988; isn't that correct?

Dr. RHOADES. Yes, sir.

Senator DECONCINI. How are you going to continue the staffing without some funds in 1988?

Dr. RHOADES. We would continue the existing staff. We would examine resource requirements utilizing our methodology and deal with the staffing of that facility, like all others.

Senator DECONCINI. Did you make a request to OMB for a dollar amount for 1988?

Dr. RHOADES. Yes, sir; the original Indian Health Service request for staffing for Kanakanak was for 26 positions.

Senator DECONCINI. And how much money?

Dr. RHOADES. $1.89 million.

Senator DECONCINI. So you are left with at least these two hospitals with the obligation to adequately staff them, but you have been turned down any specific money to do so.

Is that a fair observation?

Dr. RHOADES. Yes, sir; I believe that is correct.

Senator DECONCINI. And you are going to try to do it within whatever funds you have there, and you have indicated you are going to do it one way or the other?

Dr. RHOADES. Yes, sir.

Senator DECONCINI. The other is what I am interested in. How are you going to do it? And you don't know yet.

Dr. RHOADES. We certainly will examine the total staffing for the Indian Health Service and make decisions relating to those competing priorities.

Senator DECONCINI. OK, Dr. Rhoades. That is a heck of a position you are in, I will tell you that. I just—quite frankly, I am concerned about the position you have yourself in, having an obligation and directive to open up these hospitals and then making a request for money and, of course, getting none back. But quite frankly, that puts us in a very precarious position too. If we don't provide the funds to you, then you have every reason to say that you can't do it, or I have to rob Peter to pay Paul or do some other juggling around, and I find that difficult for us in an awful, terrible way to function.

I am going to ask—Dr. Rhoades, I have to go to the Judiciary Committee for about one-half hour. I am going to ask the chief clerk of the committee to continue to ask you the following one-half dozen or so questions here that I would like to get on the record. And those that we cannot ask in the next 20 to 30 minutes, we will submit to you for reply.

Thank you very much.

Dr. RHOADES. Thank you, sir.

Senator DECONCINI. I am advised that Senator Reid is on his way. So if you can just sit tight for a few minutes, he will be here.

Dr. RHOADES. Certainly.

[Discussion off the record.]

Senator REID [presiding]. We certainly apologize to everyone for the delay, with the confusion that we have had the last 24 hours. Indicating it is not the way we do business usually, I can relate to you a conversation I had with Senator John Stennis. I sat next to him as the vote was being taken today, and you know—anyway, Senator Stennis said that—and he will hold the record next year for having been in the Senate longer than anyone else—he leaned over and said to me that he had never seen anything like this in his entire time in the Senate.

So, we apologize. That it is not business as usual. And as you heard, there is another vote called.

So—but there are some questions that Senator DeConcini wanted to make sure that we were able to ask, and I will proceed with a few questions, if you will bear with us.

SANITATION FACILITIES

Included in the amount of $57.1 million proposed for rescission is some $17,518,000 for sanitation facilities. Since the Congress had not agreed to this rescission, these funds, of course, will be made available for obligation.

Could you be kind enough to give a brief description of where these sanitation facilities will be located?

Dr. RHOADES. Senator Reid, let me ask Mr. Pearson, who is our Associate Director for Environmental Health and Engineering, to address that question.

Mr. PEARSON. Senator Reid, those projects represent approximately 200 projects around the 26 States where we have federally recognized Indian populations. They will range in size from approximately 5 homes to, say, 500 homes. I can read you off—let me read you just 2 or 3 examples, if I may, that might give typical—33 houses in Pine Ridge, SD, at a cost of 160——

Senator REID. I get the general idea. There are big jobs and little jobs.

Mr. PEARSON. That is true. All the way from isolated Indian families, with individual wells and septic tank systems to major rural water systems.

Senator REID. What is your professional judgment of the public health value of providing domestic water and sewer facilities at the time of construction and/or rehabilitation of Indian housing units?

Dr. RHOADES. I'm sorry, Mr. Chairman, I didn't catch the first part of your question.

Senator REID. Let me go over the question again.

What is your professional judgment of the public health value of providing domestic water and sewer facilities at the time of construction, as compared to coming back and doing it later?

Dr. RHOADES. One can certainly make a general statement that has been made many times by many observers of Indian health care, that probably the most important contributor to the good health of Indian people, in fact, has been the provision of safe water and sewage disposal. Our philosophy has been that even though there is a backlog of unmet need in existing homes which have never been served by sanitation facilities, it certainly makes no sense to build new homes without those services available. So those represent our top priority.

Senator REID. In fiscal year 1988, the Department of Housing and Urban Development is expected to construct, according to figures we have, some 1,800 Indian housing units.

Does the HUD budget for—does HUD—does the HUD form and subsequently provide for the IHS that necessary finances for water and sanitary facilities for these units? We have some new ones. What is going to happen with these?

Mr. PEARSON. We have a very close working relationship with HUD. We do coordinate our programs very well. Our figures do correspond with yours, and we do anticipate 1,800 to 2,000 HUD units to be built in fiscal 1988, and they do have moneys in their budget for the sanitation facilities for those homes. We have an agreement whereby they work with the tribes to transfer the funds to the Indian Health Service for the construction of the sanitation facilities with the housing construction.

Senator REID. It would seem then that there is better coordination between the housing—between HUD, then there is the Bureau of Indian Affairs in this regard.

You don't even need to comment on that, but as an observer, it certainly appears that is the case. How many Indian homes would be constructed or rehabilitated in fiscal 1988—and I assume they would all have bathrooms—but would not have water or sewer facilities?

Mr. PEARSON. We have some preliminary figures from—based upon meetings with tribes and the Bureau of Indian Affairs, we estimate that approximately 3,000 Indian homes will be built in fiscal year 1988, that at this time, we have not specifically identified the sanitation facilities' dollars. The administration has taken the opinion—or the—adapted the policy that the agency that constructs the houses is responsible for the sanitation facilities, and that is the coordination we are trying for at this time.

REDUCTION OF PHYSICIAN AND NURSE POSITIONS

Senator REID. This is an area that I am particularly concerned about, and that is looking at the Indian Health Service for next year. It appears the administration is proposing a 12-percent reduction below the current level or base budget as it relates to hospitals and health clinics, and I am advised that you have not yet decided exactly how much each of the 12 IHS areas would be reduced.

Can you tell me, however, how many full-time equivalent physician and nurse positions would be reduced?

Dr. RHOADES. I am not prepared to give a specific number, Senator Reid, relating to reduction in personnel as a result of the 12-percent reduction.

Our intention is to seek every means of achieving that reduction without having an adverse impact upon the doctors and nurses and other medical personnel.

Senator REID. Do you think that is possible, the 12-percent decrease?

Dr. RHOADES. I think I would be misleading if I did not acknowledge that there may be some reduction of those personnel.

Senator REID. That is really concerning to me. We have had an experience in our State dealing with our—it has been a problem to see the facility go bare, basically. That is an area we will look at very closely.

I apologize for—there are so many other areas, questions that we have, areas relating to waiting periods for nonelective surgery. We are concerned about some of the alcoholism programs, contract health care, Medicare, Medicaid and third party resources, maintenance and repair, resource allocation methodology, community health representatives and urban health facilities, appropriations, transfers, health manpower, eligibility as it relates directly to Indian health facilities, accreditation, construction priorities and competition for funds, hospitals, new and replacements of them. From all over the country, we have specific questions that we would like to ask, as it relates to each one of those, and we will do that.

ADDITIONAL COMMITTEE QUESTIONS

We will submit to you questions in writing, and if you could get back to us, so that we would have—the staff would have a chance to review those and go then go over them with the subcommittee prior to markup by the committee, we would appreciate that a lot.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

NAVAJO/HOPI RELOCATION

QUESTION: The Committee has just heard from the Navajo and Hopi Indian Relocation Commission and a few questions may be in order at this point.

Inasmuch as no one has yet moved to the New Lands, it is difficult to estimate the service population. Yet, once movement begins, there may be a substantial influx in a relatively short period of time. Given the time taken to rank a facility on the priority list for construction and the amount of time prior to actual funding for such construction, how would the Indian Health Service (IHS) recommend that health services be provided in this area?

ANSWER: The Navajo Area IHS has prepared a Program Justification Document (PJD) for a facility to meet the potential health services workload in the New Lands. The need for a facility here will be evaluated, compared with other identified Indian health facility needs, and placed appropriately on the list of candidates for the IHS facilities priority list. During the interim, the IHS will serve the relocatees using existing resources. If an exigency situation develops, the IHS will discuss the problem with the congressional committees in advance and will initiate appropriate interim health care actions such as placing a temporary clinic in the community.

QUESTION: Who will operate and maintain the rural water system in the New Lands when it is completed?

ANSWER: It is likely that a tribal operation and maintenance organization or an organization established by the Indian community will operate and maintain the rural water system with fees paid by the people who are served by the system.

QUESTION: I understand the BIA is initially building 14 new homes in the New Lands within the next few months. Has the IHS set aside enough funds to build the sanitation facilities for these homes? How much is set aside?

ANSWER: The interim water system serving Parker Draw and Little Silversmith sites is expected to be in service by the time house construction is complete. The estimated cost of providing this interim system is approximately $290,000; however, most of the interim installation will be incorporated into the larger regional water system. These funds are available in IHS as part of the Phase I funding for the New Lands Sanitation Facilities Project.

QUESTION: What are you going to do if the BIA builds the remaining homes planned for the New Lands and the Navajo Tribal Chairman refuses to sign the project Memorandum of Agreement with IHS for the operation of the sanitation facilities?

ANSWER: Once relocation of families to the New Lands is well underway, the Tribe has indicated that it will consider taking operation and maintenance responsibility for the system. The IHS is confident that the Tribe will agree to operate and maintain the system, once enough families have relocated to offset the expense of maintaining it. The BIA has agreed to accept interim operation and maintenance responsibility; therefore, if the Navajo Tribal Chairman refuses to sign the agreement in the future, the IHS will help the BIA establish a community operation and maintenance organization financed by fees collected from the user families.

QUESTION: How many BIA-HIP, tribal and other Indian homes are under construction or completed for which funds have not been identified for sanitation facilities?

ANSWER: In FY 1987, there were an estimated 1,000 new or renovated non-HUD Indian housing units that were under construction and expected to be ready for occupancy early in 1988 for which IHS did not receive funding. During FY 1988, the IHS estimates another 3,000 non-HUD Indian homes will be built or renovated and will require water and sewer services. In addition an estimated 1,800 units of HUD housing will require sanitation facilities funding in FY 1988. (See note below):

HOUSING TYPE	NUMBER OF UNITS	COSTS ($ in millions)
HUD	~~1,800~~ 1/	-
HIP	1,350	10.8
Other	2,650	21.2
	5,800	32.0

1/ The HUD has made commitments to provide the estimated $13.5 million for offsite sanitation facilities funds required for these units.

SAVINGS ON COMPLETED PROJECTS

QUESTION: Do you anticipate any savings to be available from complete or essentially complete projects? How much?

ANSWER: The IHS reviewed all ongoing facilities projects in FY 1986 and identified projected savings and savings from completed projects. Reprogramming of these savings was approved by the Congress in FY 1986. The IHS has just reviewed all projects again in response to another request from Congress. It appears there will be a surplus of $50,000 and $100,000 on the Crownpoint and Tsaile quarters projects respectively. In FY 1986, the IHS obtained congressional approval of emergency reprogramming of $1,780,000 from the Crownpoint hospital project to other projects and now it appears that we may have a $100,000 shortfall on the Crownpoint hospital project. Due to a recent favorable bid opening, we expect that there may be approximately $3,400,000 savings on the Rosebud hospital project. In the past, it has been the administration's policy that these funds be held in the project for 1 year after project completion. These funds may be needed to correct any problems not covered by warrantees/guarantees.

Requests for sanitation facilities have exceeded the number that can be provided with available sanitation facilities funds; therefore, there has been no accumulation of savings in that area.

SANITATION FACILITIES

QUESTION: Are the sanitation facilities ordinarily programmed to be used in connection with new and rehabilitated BIA-Housing Improvement Program, tribal and other Indian homes?

ANSWER: Funds appropriated to the IHS for sanitation facilities construction are utilized first to support services for new and rehabilitated non-HUD Indian homes as directed by the Congressional Committees.

QUESTION: If the provision of water and sewer facilities to Indian housing units is of such value, why did the Administration propose to rescind the funds? Doesn't the Administration consider the public health of the Indian people to be a priority matter?

ANSWER: The health of the American Indian and Alaska Native people is a priority for the Administration; however, funding of sanitation facilities for Indian homes received a lower priority in competition with other health services for limited Federal health care resources.

QUESTION: If Congress would have agreed with the Administration's proposed rescission of these funds, about 2,000 to 3,000 Indian homes being built or renovated with Federal funds, would have included bathrooms but no water or sewers to hook up to. Does this make any sense?

ANSWER: Sanitation facilities construction funding to serve federally sponsored Indian housing projects was eliminated from the IHS budget because it was anticipated that funds would be included in the budgets of Federal agencies sponsoring the Indian housing projects.

QUESTION: Why does the Administration insist on offering this proposal year after year?

ANSWER: Deficits have caused the President's budget to focus on controlling Federal expenditures. Funding of sanitation facilities for Indian homes received a lower priority in competition with other health services for limited Federal health care resources.

QUESTION: If the IHS is going to continue to have an active sanitation facilities construction program in FY 1988 despite no additional funding, why have the Full Time Equivalent staff funded under this program been eliminated? How does the House Committee deal with this matter?

ANSWER: The Administration is committed to reducing the size of the Federal workforce. All of the Full Time Equivalent Staff (FTEs) employed under the Sanitation Facilities Construction Program are temporary employees. Their functions will be performed by contractors, tribes, and permanent Federal employees.

QUESTION: Will the elimination of these FTEs in FY 1988 affect the cost of providing sanitation facilities? Will the new policy cost more or less?

ANSWER: The cost of providing sanitation facilities, particularly water and sewer facilities, may increase.

QUESTION: Will you fire all of the FTEs, which include about 300 Indian people, associated with sanitation facilities construction?

ANSWER: It is anticipated that approximately 6 percent of the FTEs will be converted from temporary positions to permanent positions. Many of the balance of the FTEs are expected to find positions with tribes and Indian or Non-Indian contractors performing essentially the same work.

HUD HOUSING

QUESTION: How many HUD homes are under construction or completed for which IHS has not received funds for off site sanitation facilities?

ANSWER: At this time there are no completed HUD homes which have not been provided sanitation facilities. There are some HUD houses under construction for which the IHS has not yet received a funds transfer, however, the HUD, the Tribal Housing Authorities and IHS are working to effect transfers before the homes are finished.

QUESTION: Do you have any suggestions for improved coordination in this area?

ANSWER: Considerable improvement in the coordination of fund transfers has been made in the last two years. New budget language regarding the transfer of HUD funds to IHS has been proposed. However, this language could be strengthened by amending it to clarify that funds provided under the authority of the Department of Housing and Urban Development to the Indian Health Service shall also be administered under Public Law 86-121, the Indian Sanitation Facilities Act.

QUESTION: Does the Administration explain or justify this lack of funding for the necessary sanitation facilities?

ANSWER: Funding of sanitation facilities for Indian homes received a lower priority in competition with other health services for limited Federal health care resources.

QUESTION: What is being done to address the public health problem of the 22,000 existing Indian homes without sanitation facilities? Do you have any suggestions for reducing this backlog?

ANSWER: Many of the 22,000 existing Indian homes without adequate sanitation facilities are substandard homes. Ongoing Federal, State, and tribal housing programs are constructing new homes with adequate sanitation facilities to replace many substandard homes. The Indian Health Service (IHS), with funds appropriated by the Congress, is providing sanitation facilities for most of these new homes. In addition, IHS is providing technical assistance and some emergency assistance to residents of the 22,000 existing homes. Where possible, IHS is coordinating with other funding agencies, such as the HUD Community Development Block Grant Program, to provide water and sewer facilities to meet this unmet need. With respect to your request for suggestions about how the backlog might be reduced, the proposed amendments to the Indian Health Care Improvement Act recommend a 10-year program to fund the unmet needs for Indian Sanitation Facilities.

HOSPITALS AND CLINICS

QUESTION: Can you tell me how many full-time equivalent (FTE) physician and nurse positions would be reduced. How many client contacts does an IHS physician make a year? How many less client contacts does the Administration's budget provide?

ANSWER: 60 MD's and 200 Nurse positions. An average IHS physician in clinical practice has 4500 outpatient encounters and 100 inpatient admissions per year. The budget proposal would allow 4,600-4,700 per physician. Total encounters would decline by 5,400 admissions and 250,000 outpatient encounters.

QUESTION: How will the delivery of direct inpatient and outpatient services to Indian people be affected by this 12% reduction from current service levels?

ANSWER: A listing of those hospitals and clinics that might be closed would include the following: Concho, Carnegie, Riverside School, Whitecloud, Puhauska, Wewauka, McAlester, Salina, Eufaula, Tishomingo, Clinton. One facility in Tucson, is Santa Rosa and field clinics in Aberdeen.

QUESTION: Do you anticipate the possibility of closing any hospitals and clinics in FY 1988 as a result of this budgetary reduction?

ANSWER: The areas were surveyed and a listing of those hospitals and clinics that could possibly close would include the following:

Concho, Carnegie, Riverside School, Whitecloud, Puhauska, Wewauka, McAlester, Salina, Eufaula, Tishomingo, Clinton. One facility in Tucson, Santa Rosa, and several field clinics in Aberdeen.

WAITING PERIODS FOR NON-ELECTIVE SURGERY

QUESTION: Would you describe the waiting periods for non-elective surgery in the Indian Health Service?

How does the waiting period for non-elective surgery compare with the waiting period in the various non-Indian health service sectors of the medical community such as the private sector and military medicine?

ANSWER: Non-elective surgery, surgery which is determined medically necessary by the surgeon, includes a wide variety of surgical procedures for conditions ranging from cancer to symptomatic gall bladder disease. Waiting periods vary according to the condition but also according to whether the IHS provides direct surgical services or not. At those hospitals with direct surgical programs, the waiting times will average 3 to 4 weeks or about twice as long as in the private sector. Cancer cases, however, are given a high priority so generally will have shorter waiting periods, approximating that of the private sector. For those locations where there is no direct surgical program, where surgery is performed by the private sector and paid for by Contract Health Service (CHS) funds, the waiting time is significantly longer and is measured in terms of months rather than weeks. The most significant factor is the availability of CHS funding. Here cancer cases are again given a higher priority so that surgery is performed with only a short waiting time.

The proportion of cardiac patients who are determined by IHS physicians to require heart surgery is significantly less than in the private sector. Patients are given a longer trial of medical management to determine if surgery is mandatory. However, once heart surgery is determined to be necessary, whether surgery is performed at all and the waiting time both are dependent on the availability of CHS or alternate funding.

STATUS OF HEALTH CARE

QUESTION: Will the Administration's FY 1988 budget for the IHS provide improved health care for the Indian people, declining health care, or exactly the same.

ANSWER: There will be a decline in the health care funds available to Indian people. The total available health services budget will be less.

QUESTION: Do you agree that the health care available to the Indian population would have suffered? To what degree?

ANSWER: Health care spending will decline to a certain degree. Productivity increases, cost-avoidance strategies, and more focused programming approaches implemented to date by the IHS may have modulated declines in service provision. It is difficult at this time to project the exact degree that would occurr.

OBSTETRICAL AND DELIVERY SERVICES

QUESTION: Using current services figures for FY 1988, the President's budget proposes a reduction of Contract Health Services of $47 million or 24%. How would the 24% reduction affect Obstetrical and Delivery Services in those service units where IHS facilities do not have that capability?

ANSWER: Child and Maternal Health Care is an integral part of any preventive health care program in order to insure that new members of society begin life with the best start possible. Review of the FY 1986 data indicates 3,553 contract care deliveries for 9,301 inpatient days and a cost of $6,185,506.00 for hospital care. An estimate of physician fees at $800.00 for prenatal and delivery care (3,553 x $800.) would be $2,842,400.00. Additionally, $982,671.00 of contract funds was spent on admissions for problems related to pregnancy in this same group of women. The total contract dollar expense for this activity was $9,010,577.00.

As a point of reference approximately 12,700 deliveries were done directly in IHS facilities.

A 24% reduction in contract funds would have a very negative impact on this activity as almost all IHS facilities are working at or near capacity for delivery in relationship to physical plan and for expertise of staff. However, the provision of high quality obstetrical care would remain a high priority for the IHS.

DIALYSIS SERVICES

QUESTION: How would dialysis services be affected by the 24% cut?

ANSWER: A goodly share of the cost of dialysis services are borne by third-party providers, primarily Medicare and Medicaid. IHS contract care costs for FY 1986 included $219,825.00 for 692 days of hospital inpatient care, $103,918.00 in physicians fees for attending patients receiving inpatient care (1,617 visits), and $779,095.00 for outpatient care (31,381 visits). Total contract care cost of $1,102,835.00 were incurred in FY 1986.

PUBLIC HEALTH NURSING

QUESTION: What can be done to make sure that high-priority skilled nursing care services in the Phoenix Area are preserved?

ANSWER: The original HCFA grant to the State of Arizona indicated that skilled nursing care services would be included in the Arizona Health Care Cost Containment Services (AHCCS) program by 1987. This year the grant was renewed in spite of no provision by the state of Arizona to provide these services. At this time, it is the responsibility of each county to provide this type of service, and only 2 of the counties within the state (Pima and Yuma) are currently accepting applications for placement from reservation-based Indian people. With any cut in contract health services funding, the Phoenix Area, IHS would be forced to discontinue payment for skilled nursing home care, as it is the lowest priority for use of CHS dollars.

QUESTION: How will the reduction affect areas such as the State of Washington, where all inpatient services are provided through Contract Health Services?

ANSWER: The ARAM/SURAM process would be used to reduce the CHS allocations in a fair and equitable manner that takes into consideration the fact that IHS has no direct inpatient care facilities in the State of Washington. This impact should be lessened by the implementation of the Medicare payment policy.

QUESTION: What portion of the $47 million reduction is attributable to implementation of the Medicare allowable rates policy and the New Mexico Blue Cross/Blue Shield Fiscal Intermediary contract?

ANSWER: Evidence is not available at this time since the IHS payment policy is a new initiative for FY 1987; however, it is estimated that we can expect approximately $10 million savings from the implementation of the new payment policy.

QUESTION: Please provide for the record a table showing the amounts of Medicare, Medicaid, and the other third-party reimbursements, by Area, for FY 1986.

ANSWER:

AREA	MEDICARE	MEDICAID	OTHER THIRD-PARTY	TOTAL
Aberdeen	$4,192,147	$4,900,585	$ 14,278	$9,107,010
Albuquerque	1,930,400	1,159,870	27,623	3,117,893
Alaska	3,810,476	3,425,213	40,062	7,275,751
Bemidji	507,732	578,245	0	1,085,977
Billings	515,998	1,194,919	2,146	1,713,063
Navajo	6,883,768	6,295,201	10,355	13,189,324
Oklahoma	5,308,085	871,883	57,894	6,237,862
Portland	N/A	2,257,119	11,916	2,269,035
Tucson	397,181	1,024,045	0	1,421,226
Nashville	589,043	214,125	2,313	805,481
Phoenix	3,118,851	2,298,889	0	5,417,740
TOTALS...	$27,253,681	$24,220,094	$166,587	$51,640,362

QUESTION: Do you expect the $51.5 million collected in FY 1986 to have increased by FY 1988? What assumptions were used to develop that figure?

ANSWER: Yes. We expect the collections to increase because of the better methods of identification of Medicare and Medicaid eligible resulting in increased billing and collections. We assume that there will be a minimal increase in rates that, coupled with the improved automated system of identifying eligible patients, will produce the estimated collection of $60.0 million.

QUESTION: How was the $51.5 million in third-party payments collected in FY 1986 utilized? Be specific.

ANSWER: During FY 1986, a total of $51.5 million was collected from Medicare and Medicaid. Of the $51.5 million of FY 1986 Medicare/Medicaid collections, $34.1 million was obligated during FY 1986 and $17.4 million was carried over to FY 1987 as authorized by the appropriation acts. The $34.1 million was used to correct or maintain the correction of Joint Commission on Accreditation of Hospitals (JCAH) and Medicare deficiencies in IHS facilities. Approximately $7.7 million was spent on the purchase of new equipment and associated supplies that were required to correct deficiencies. The items of equipment included laboratory analysis, x-ray equipment, monitor and defibillators for emergency rooms, and other medical equipment. Approximately $1.4 million was spent on maintenance and repair type activities in the hospitals. These items included installation of new x-ray and laboratory equipment. It also included modifications to emergency rooms and emergency entrances to meet the standards. The remaining $25.0 million was used for personnel services. This included the hiring of approximately 450 FTE's. These FTE's include nurses, lab staff, x-ray staff, nurses aids, medical records technicians, and other medical staff. Additionally, the consultant services of pathologists, radiologists, dietitians, medical record librarians, and any other consultant services required were contracted to meet the JCAH or Medicare requirements.

The $17.4 million collected in the fourth quarter of FY 1986 was carried over to FY 1987 and will be used for the above-listed purposes during FY 1987.

QUESTION: How is the unmet need for modernization and repair projects determined and where are the specific items documented?

ANSWER: The work items included in IHS modernization and repair projects are identified during facilities condition surveys which are conducted at all IHS Facilities. A general survey is conducted annually and an in-depth "Deep Look" survey is conducted every five years by a team of architects and engineers. A cost estimate is developed for each deficiency identified during these surveys. The deficiencies are categorized by specific deficiency codes and the data is documented on a computerized Facility Condition Survey Report (Deep Look Data Bank).

RESOURCE ALLOCATION

QUESTION: What instructions have been given to Area Directors to prevent targetting the 2% reduction on any special area such as direct in-patient and outpatient medical services?

ANSWER: Instructions did not state specifically if any special areas should be excluded from any reduction. However, it is anticipated that any reductions would first be applied to those areas not directly related to health services such as travel, equipment, supplies, etc. where feasible.

QUESTION: Why did the Indian Health Service decide to implement the 2% reallocation in the middle of the fiscal year?

ANSWER: The reallocation of the 2% reduction taken to establish a fund to reduce deficiency will be distributed based upon the Area Resource Allocation Methodology (ARAM). Final issuance of the ARAM was not scheduled until April 1987 and when the necessary data would be available.

CHR/URBAN

QUESTION: The Administration's budget proposed reprogramming of $1,809,000 of Community Health Representative Program Funds, and $1,000,000 of Urban Health Program Funds, in order to partially offset costs of the FY 1987 Federal pay raise and the Federal Employees' Retirement System (FERS). The Committee on Appropriations of the House of Representatives has rejected the reprogramming request. Have instructions been sent to the Area Directors to restore funds to Community Health Representative and Urban Health Programs?

ANSWER: The IHS has issued these funds to the Areas.

FACILITIES TRANSFER

QUESTION: If the FY 1987 supplemental appropriation includes funds to meet the Federal pay increase and the Federal Employee Retirement System costs, how soon can funds be obligated to proceed with these projects in FY 1987?

ANSWER: Anchorage Medical Center: The contracting procedure to obtain an Architect/Engineering firm will be promptly initiated.

Pine Ridge Hospital: The design fees are currently being negotiated with an Architect/Engineering (A/E) firm using FY 1986 funds and the design contract approval will be signed by April 30, 1987. The A/E design will take 18-24 months; therefore, with the exception of approximately $1 million for preliminary site work, none of the construction funds can be obligated until FY 1989.

Shiprock Hospital: If funds were available, the contracting procedure for the design process could be initiated in the 4th quarter of FY 1987.

HEALTH MANPOWER

QUESTION: What percentage of Indian Health Service physicians are National Health Service Corps recipients?

ANSWER: Of 817 full-time physicians, 289 are fulfilling their commitment in payback for National Health Service Corps scholarships. This is 35 percent.

QUESTION: What is the rate of turnover in physician staffing annually?

ANSWER: Approximately 200 physicians, or 25 percent, of the 817 are replaced each year.

QUESTION: What current efforts are being made by the Indian Health Service to retain existing physicians, dentists, and nurses?

ANSWER: The IHS has developed a recruitment plan in conjuction with HRSA to provide for manpower for the the underserved areas, including the IHS. The plan includes funds for clerkship, journal ads, conference displays, site visits, and prospective candidate travel. In addition, initiatives include a Medical School Advocate Program, a long-term training program for residents, and development of a recruiting videotape.

ELIGIBILITY

QUESTION: What is the status of the proposal to revise the regulations dealing with Indian Eligibility for IHS Services? I understand over 11,000 comments have been received?

ANSWER: A Notice of Proposed Rulemaking (NPRM) was published on June 10, 1986. The 120 day comment period was later extended to November 7, 1986. During this period the IHS received over 11,000 pieces of mail and took approximately 10,000 pages of testimony at over 120 public meetings.

The comments are currently under review and all issues raised in the comments will be considered in developing any final regulation. Any final regulation will have to be approved by the Secretary and OMB and published in the Federal Register. Before implementation, the Department must notify the Congressional Appropriation Committees what action the Department plans to take in response to the public comments.

The current plan calls for publication of any final regulation sometime this summer.

ACCREDITATION

QUESTION: Currently, 37 of 45 hospitals operated by the IHS and the 6 hospitals operated by the tribes are accredited by the Joint Commission on Accreditation of Hospitals (JCAH). In addition, 34 free-standing health centers are accredited by the JCAH. In certain areas the criteria for care in the IHS exceeds the standards set by accrediting agencies. What hospitals are not accredited and why not?

ANSWER:
Chinle
Eagle butte
Fort Yates
Owyhee
Rapid City
Rosebud
Sisseton
Wagner

All of the above except Owyhee have applied for JCAH survey. Surveys will be conducted during the April to August, 1987 time-frame. It is our opinion that these facilities are ready for JCAH accreditation and will become accredited. Owyhee workload is too low and we are reviewing the issue of attempting to accredit this facility.

INDIAN HEALTH FACILITIES

QUESTION: There are several very expensive construction projects which are high on the priority list: Anchorage with an estimated cost of $120,500,000; Shiprock with an estimated cost of $46,127,000; Kotzebue with an estimated cost of $39,575,000; and Fort Defiance with an estimated cost of $31,497,000. At the same time, there are requirements for construction of health centers, quarters, and sanitation facilities.

Given the tight budget constraints for at least the rest of the decade, it is important that commitments not be made which cannot be met in a timely fashion. Assuming an annual funding level of $70,000,000 for all facility construction activities through 1991, what is the appropriate distribution of these resources?

ANSWER: In FY 1988, the IHS prepared a 5-year Facilities Plan for the purpose of briefing the Congress and the Executive Branch about the funding requirements associated with the IHS Health Facility Priority List. The IHS has indicated that a $70 million annual facilities appropriation would result in approximately $46 million designated for new health facilities, $4 million for modernization and repair of existing health facilities, and $20 million for sanitation facilities. Several tribal groups have indicated an interest in building required health care facilities and leasing them to the IHS as authorized in the Indian Health Care Improvement Act. For example, an Alaska Native Corporation has submitted a lease-purchase proposal to build the $120 million Alaska Native Medical Center which is the number one project on the IHS priority list.

QUESTION: Would you please look into the alternatives to direct Federal funding, such as lease-purchase agreements, which would allow the program to be accelerated despite limited funding resources. Please elaborate for the record.

ANSWER: The use of lease/purchase agreements as an alternative to direct Federal funding may be a viable option assuming the Congress approves and there is desire and capability among affected tribes to undertake design, construction, and lease management of health care facilities. The Cook Inlet Region, Inc. (CIRI) has suggested a conceptual lease/purchase agreement approach for the Alaska Native Medical Center (ANMC). Based upon an estimated construction cost, the CIRI would provide the new facility to the IHS in return for annual lease payments by the IHS over a 20-year period. At the end of the 20-year period, the facility would become the property of the Federal Government. Further review and study of this proposal is needed to determine the overall cost implications of a lease/purchase option for ANMC.

QUESTION: What is the status of the proposed hospital project at Kotzebue, Alaska?

ANSWER: The local Alaska Native Health Corporation (Maniilaq Association) has submitted a Public Law 93-638 proposal to design the Kotzebue hospital. The proposal cannot be approved until a land exchange with the Kitiktagruk Inupiat Corp. (KIC) has been accomplished. A recent IHS land appraisal reflected a value for the Government-owned property that was greater than the value of the KIC property proposed for exchange (and planned as the new hospital site). The Corporation has not accepted the IHS appraisal results and is having another appraisal made. We estimate the land exchange negotiations will be resolved in April. If so, the contracting procedures for the design could begin imminently. The Architect/Engineering design will take approximately 18-24 months; therefore, construction funds could not be obligated until FY 1989.

QUESTION: What is the status of the proposed hospital project at Pine Ridge, South Dakota?

ANSWER: We expect that a design contract for the Pine Ridge hospital will be awarded before April 30, 1987. The design will take 18-24 months; therefore, the IHS will not be able to obligate any construction funds, except for preliminary site work, until FY 1989. Some of the Phase I construction funds may be used in 1988; however, we estimate that no additional construction funds will be needed until FY 1989.

QUESTION: There has been much discussion and controversy over the number of beds that should be provided in the proposed Rosebud, South Dakota health facility. Can you please tell the Committee how many beds are now recommended by IHS for construction and why?

ANSWER: In accordance with the FY 1986 appropriation bill, the IHS has authorized the Tribe to amend the design contract to allow for a 35-bed facility and 94,893 gross square feet. A construction contract has subsequently been awarded to the Tribe to construct 35 beds. In addition, the third floor is being totally enclosed for energy conservation.

QUESTION: What is the status of the Sacaton, Arizona project?

ANSWER: The IHS has been working closely with the Region VI, (Dallas, Texas), Regional Office of Engineering Services (OES) to expedite the Sacaton project's development as directed by the Congress. Construction bids opened April 23, an award was made on June 2, and construction began on July 1, 1986. The estimated construction completion date is March 1988.

In FY 1986, $600,000 was reprogrammed to the Sacaton project from completed projects, enabling the OES to award some bid options at the beginning. In FY 1987, $9,066,000 was appropriated to complete the project.

QUESTION: What is the status of the Shiprock project?

ANSWER: A Program Justification Document for this facility was approved by HRSA/OASH on June 20, 1986 and is currently being amended. It is expected that the contracting procedure for the design process for the Shiprock Hospital could be initiated during the last quarter of FY 1987 if funds are made available.

QUESTION: The FY 1987 Indian Health Facilities Budget included $2.45 million for 6 modernization and repair projects at various IHS facilities. Furthermore, language in the appropriation bill directed that IHS reprogram $1.5 million of the FY 1986 actual unobligated IHS dollars to supplement one of the FY 1987 projects which when completed will correct heating, ventilation, and air conditioning (HVAC) deficiencies at the Mt. Edgecumbe, Alaska hospital.

The FY 1987 rescission package proposed by IHS would have eliminated all the FY 1987 modernization and repair projects and would have left only $158,730 of the FY 1986 carryover dollars for completion of FY 1987 requirements.

What is the latest status of the IHS 1988 Modernization and Repair Program and what will now be done about the HVAC deficiencies at the Mt. Edgecumbe hospital?

ANSWER: The IHS FY 1988 Modernization and Repair Program, as described in the President's budget, cannot be implemented until FY 1988 dollars are appropriated. However, because the proposed FY 1987 rescission package was not acted upon by the Congress, IHS has been able to modify its initial FY 1988 Modernization and Repair Program to include a high priority asbestos identification and removal project for the Navajo Area, IHS. This was made possible because $1.5 million of FY 1986 unobligated IHS dollars remain available in FY 1987 to correct HVAC deficiencies at the Mt. Edgecumbe, Alaska hospital.

The IHS plans to combine the FY 1986 funds ($1.5 million) and $0.7 million appropriated in the FY 1987 Modernization and Repair portion of the IHS Facilities budget to comple Phase I of a Mt. Edgecumbe, Alaska HVAC project. Phase I will alleviate critical JCAH-cited HVAC deficiencies concentrated in the hospital's nursery (floor 1/north wing), islolation/recovery rooms (floor 2/north wing), and laboratory (east wing). Phase II of this HVAC project will address HVAC deficiencies in the remainder of the hospital. Funding will be requested in subsequent years for Phase II when and if the project appears high enough on the modernization and repair priority list.

QUESTION: The Congress directed IHS to provide an engineering analysis of the structural, mechanical, and electrical systems at Parker. What is the status of this analysis?

ANSWER: In FY 1987 Conference Report No. 99-1002, the Committees on Appropriation directed the IHS to perform an engineering analysis, within available funds, to determine the condition of the existing Parker health center, including structural, mechanical, and electrical systems.

The IHS has been working closely with the Region VI (Dallas, Texas), Office of Engineering Services, HRSA, and PHS, on the engineering analysis. On January 13, 1987, the engineering analysis team met with Key Area staff at Parker to begin the study. A report of this study was completed on March 10 and is currently being reviewed by IHS Headquarter's staff.

QUESTION: What is the status of the proposed health center projects at Ft. Belknap, Montana?

ANSWER: The Region X (Seattle, Washington), Office of Engineering Services is in the process of advertising for an Architect/Engineering firm. It is expected that the final design documents will not be completed until October 1988. A construction contract could be initiated in FY 1989.

QUESTION: What is the status of the proposed health center project at Ft. Hall, Idaho?

ANSWER: The Region X (Seattle, Washington), Office of Engineering Services is in the process of advertising for an Architect/Engineering firm. It is expected that the final design documents will not be completed until October 1988 and construction could be initiated in FY 1989.

QUESTION: What is the status of the proposed health center project at Toppenish, Washington?

ANSWER: The Toppenish Health Center project has been under contract for design since December 1986 and the design should be completed during the first half of FY 1988. A construction contract could be initiated in FY 1988 if funds are available. During FY 1987, the IHS will utilize the $850,000 appropriated by the Congress to initiate construction contracts for the preliminary site work, utilities, and water storage.

QUESTION: What is the status of the proposed health center project at Wagner, South Dakota?

ANSWER: It is expected that design contract procedures will be initiated for modernization of the Wagner Health Center during FY 1987.

QUESTION: Staff housing for the Barrow Service Unit has been identified for several years as the number one unmet need for the North Slope Borough. This lack of adequate housing has resulted in several Key staff positions going unfilled.

Please report to the Committee on the status of these quarters and the IHS policy with respect to quarters construction.

ANSWER: After updating its quarters inventory, the IHS developed a priority methodology in order to establish a verifiable list of quarters needs by location. The IHS will include requirements for quarters projects on subsequent facilities priority lists and in future annual facilities plans. Because of the relationship of inadequate personnel quarters at existing IHS facilities to the severe recruitment and retention problems of physicians, nurses, and other health professionals; the IHS has placed nine personnel housing projects on the IHS facilities priority plan for requested funding prior to the initiation of any other new hospital or health center. Based on the most recent application of the new quarters priority methodology, the Barrow quarters project ranks number five on the housing priority list.

QUESTION: How many units of quarters are needed at Fort Thompson, SD?

ANSWER: Based on results of the IHS quarters priority methodology, there is a requirement for 17 units of quarters at Fort Thompson where there are presently no existing units. The FY 1986 appropriation instructed IHS to design 17 units but construct only 13 units.

QUESTION: What is the status of the Ft. Thompson housing project?

ANSWER: A design contract was signed in February 1987 and the quarters are now being designed. A construction contract for the 13 units will then be promptly initiated with the FY 1987 appropriation now available.

QUESTION: What is the status of the quarters project at Kyle, South Dakota?

ANSWER: There is a requirement for 24 units of quarters at Kyle where there are no existing units. The FY 1987 appropriation instructed IHS to design 21 units but construct only 17 units.

A design contract will be initiated in FY 1987 and the construction contract will then be immediately initiated with the FY 1987 appropriation now available.

QUESTION: How many units of quarters are needed at Rosebud, SD? What is the status of this project?

ANSWER: There is a total requirement for 109 units of quarters at Rosebud. There are 33 existing units and a requirement for an additional 76. The FY 1987 appropriation instructed IHS to design 59 units but construct only 51 units. The IHS anticipates award of the design contract in this fiscal year and initiation of the construction contract with the FY 1987 appropriation promptly after the design is complete.

INDIRECT COSTS

QUESTION: In the Continuing Resolution for FY 1986, Congress appropriated about $2.95 million for indirect costs of Public Law 638 contracts. These funds became a part of the FY 1986 base. In the Continuing Resolution for FY 1987, Congress appropriated an additional $2.5 million for such costs. However, the IHS has taken the position to tribal representatives that the $2.5 million appropriated for FY 1987 was instead of, rather than in addition to, the $2.95 million first appropriated in FY 1986. Please explain your position on this.

ANSWER: The IHS position is that while the $2.5 million is specifically mentioned, it is, in effect, part of FY 1986 base funded by the FY 1986 Supplemental. In providing for FY 1987 appropriations, the starting point for additions was the FY 1986 President's Budget level and not the FY 1986 appropriation and, therefore, some items were deemed as restoring FY 1986 to the appropriated level and not an actual increase for FY 1987.

QUESTION: Last year, IHS testified that a possible shortfall in tribal contracting costs of over $10 million was expected in FY 1987. Has IHS requested sufficient funds for tribal contracting costs in fiscal year 1988? If not, what is the expected shortfall, and why did IHS request only $2.5 million for indirect costs of new contracts?

ANSWER: The IHS in its original request proposed a budget of $10 million. However, only $2.5 million was allowed.

QUESTION: In contract negotiations, the Bristol Bay Area Health Corporation (BBAHC) was assured by IHS that approximately $100,000 would be provided for start-up costs for the operation of the new Kanakanak Hospital. However, these funds have not been added to the BBAHC's contract for FY 1987 as planned so that BBAHC has had to absorb such costs within its regular operating budget for this year. What does IHS plan to do to alleviate this problem at the Kanakanak Hospital?

ANSWER: The contract for Bristol Bay has in fact been increased by $196,000. This would maintain a level of deficiency at 11% in keeping with Congressional intent.

QUESTIONS SUBMITTED BY SENATOR DENNIS DECONCINI

FT. DEFIANCE

QUESTION: The Ft. Defiance hospital located on the Navajo Reservation is at least 48 years old and in terrible condition. The facility has been ranked fourth on the national IHS facility priority list for replacement hospitals. I understand that the Program Justification Document (PJD) for this project has been completed.

Has the Program of Requirements (POR) document for this project been completed and reviewed by the IHS and the Department? Please provide to the Committee the current status of the project and a time table as to when the Committee can expect to be advised of this project's planning and design funding need?

ANSWER: The PJD for Ft. Defiance was approved on June 20, 1986; however, the Area Office recently asked that the PJD be amended and currently the proposed amendment is being reviewed at IHS Headquarters. The POR cannot be approved until the PJD amendment has been approved. The approval of the Ft. Defiance PJD is anticipated in FY 1987. Funding for design can be utilized after the PJD is approved. A Phase I Site Selection report was submitted to HRSA on March 16, 1987 for review and concurrence.

URBAN HEALTH

QUESTION: The metropolitan area of Phoenix in my State has the fastest growing Native American population. A recent report shows as many as 23,000 Native Americans living in the Phoenix Area. I am told that as many as 90% of these people are from Arizona tribes.

Most of these people are found to be at or below the poverty line. I am concerned about their health care needs and whether those needs are being met adequately by either the Phoenix Indian Medical Center or the State's AHCCS (Az. Hlth. Cost Containment System) program.

I am told that for different reasons some of these Native Americans frequently do not get medical attention until their health problems require emergency care. Obviously this means that the cost of providing health care to these individuals at this stage is much more expensive than if they were to get care before the health problems become emergency in nature.

Has the IHS ever done an assessment of the health status and health care needs of those Natives Americans who live in cities like Phoenix? If not, what kind of resources would it take to undertake and complete such an assessment?

ANSWER: In their initial years of funding from the IHS, all urban programs receiving contracts under Title V met the requirements of the legislation which included the performance of studies to assess the availability of public or private health care available in their area, and to identify the unmet health needs of the urban Indians. In fact, each program was required to complete a urban specific health planning study for their service area. These studies were eventually incorporated into the national plan for the implementation of P.L. 94-437 that was presented to the Congress in 1979.

Each Title V contract is negotiated on an annual basis at the IHS Area Office level. The negotiations include a review of the urban Indian organization's (i.e. contractor) past performance in delivering health services to Indian people. An integral part of this review also includes an assessment by the contractor of the continuing unmet health needs of Indian people in their respective urban areas.

The IHS has never directly conducted an assessment of the health status and health care needs of Indian people residing in urban areas of this country. Any such assessment would require the addition of substantial manpower and funding resources to the IHS budget.

The IHS does presently support an urban Indian health program in Phoenix that is involved principally in obtaining health care for Indian people through advocacy and referral efforts.

Questions Submitted by Senator James A. McClure

CATASTROPHIC HEALTH EMERGENCY FUND

QUESTION: Because all funds have not been expended, you have not requested additional funds in FY 1988 for the Indian Health Catastrophic Health Emergency Fund.

When will the administrative guidelines be developed for this program?

ANSWER: Administrative guidelines have been developed by IHS and have been submitted through the departmental chain of command to the Office of Management and Budget for review prior to release of these funds back to the IHS.

QUESTION: At the end of FY 1987, what do you expect the carryover balance to be for this program?

ANSWER: In our administrative guidelines, we proposed that the IHS' ability to utilize these funds be made retroactive to the beginning of FY 1987. If that provision is approved, we expect to fully utilize these funds in the current fiscal year. If the fund were approved for expenditure from the current date only, then we would expect to carry forward funds in the 3- to 4- million dollar range based on prior year data.

QUESTION: What do you feel the appropriate funding level is for this program?

ANSWER: At our proposed $20,000 threshold for participation, the $10,000,000 is a good funding level if it were adjusted annually by the appropriate pricing indices to allow for inflationary increases in hospital, physician, and other related services rates.

URBAN PROGRAMS

QUESTION: The FY 1987 Senate report requested IHS to review all urban programs with fewer than five full-time staff and to report to the Committee on the viability of these programs. It is my understanding that you have contracted with an outside contractor to analyze the collected data.

When do you anticipate on making a report to Congress?

ANSWER: The IHS contracts with the American Indian Health Care Association of St. Paul, Minnesota, to collect, analyze and present data to the IHS from all urban programs, regardless of their size. The report requested by Congress is presently being prepared by the IHS. It is anticipated that this report will be submitted to the Congress by May 1.

MANPOWER

QUESTION: As the National Health Service Corps Scholarship Programs are phased out, there has been some concern about the ability of IHS to effectively recruit physicians. Have you developed a strategy to meet your physician needs?

ANSWER: The IHS has developed a recruitment plan in conjunction with HRSA to provide for manpower for the underserved areas, including the IHS. The plan includes funds for clerkships, journal ads, conference displays, site visits, and prospective candidate travel. In addition, initiatives include a Medical School Advocate Program, a long-term training program for residents, and development of a recruiting videotape.

QUESTION: Have additional resources been directed toward this recruitment in FY 1988?

ANSWER: Yes. $3,987,000 will be required as recurring costs for the recruitment effort in FY 1988. This figure represents about $1,500,000 over the FY 1986 budget.

HOSPITALS AND CLINICS

QUESTION: You have proposed an FY 1988 reduction of $58 million in the Hospitals and Health Clinics Program. The rationale for this proposed reduction is not clear. The justification does state, however, that to achieve this reduction, all aspects of the Agency's operations will be examined to identify the most viable areas for savings.

Is there a plan to implement this 12 percent reduction or will you just be tightening your belts?

ANSWER: This reduction will affect the number of specialty clinics and services provided by the IHS. The magnitude of the reduction will be influenced by our plan for developing better care management protocols, particularly with the fiscal intermediary and a restructuring of the way we utilize our resources.

Medicare and Medicaid do not pick up the cost of care until a patient has been on dialysis 90 to 120 days. Therefore IHS contract funds are used to carry patients initially on dialysis until they become eligible for Medicare. The ability of IHS to continue this activity would be compromised by any reduction of funding.

QUESTION: You have proposed a program decrease of $47 million in the Contract Health Services Program. To achieve this reduction, IHS is proposing to improve the management of the CHS Program through the utilization of Medicare allowable rates and by improved case management. Can you break this reduction between management of CHS program and use of Medicare allowable rates and by improved case management?

ANSWER: Not at this time, primarily because there are additional data needed on the payment system that are being reviewed with the contractor, including reporting data for case/payment control, statistical reporting, and compliance with CHS regulations on priorities of care and similar issues that will take the remainder of FY 1987 to complete.

MANPOWER

QUESTION: A reduction of $1.6 million (25 percent) is proposed for FY 1988 in the Indian Health Manpower Program. This reduction will still provide for a continuation of scholarship funding for 287 students and 211 external assignments for the professional students who are eligible for assignment. How do these scholarship levels compare with FY 1987?

ANSWER: For the FY 1987 scholarship cycle, an estimated 606 awards will be given and there is enough funding budgeted for approximately 300 extern assignments for the professional scholarship students. The FY 1988 scholarship estimate of 287 reduces the number of awards by 319 from FY 1987. Also, there will be a loss of approximately 89 extern assignments from the estimated 300 in FY 1987 to 211 in FY 1988.

TRIBAL MANAGEMENT

QUESTION: The budget proposed a reduction of $2 million in Tribal Management. The justification states, however, that $2.5 million in hospital and health clinic activity will be earmarked for tribal administrative costs for new or expanded IHS self-determination contracts. Does this mean that the program level for Tribal Management will increase in FY 1988?

ANSWER: No, the requested $2.5 million will establish a new account identified as an Indian Self-Determination fund to support tribal health program management costs. Although the $2.5 million request is not intended to duplicate the Tribal Management project funds, such a fund would provide some financial incentive for tribal organizations to operate the health programs currently operated by IHS.

DIRECT OPERATIONS

QUESTION: How will you implement the proposed $5.4 million (14 percent) reduction in direct operations?

ANSWER: In all probability, the IHS would have to seek authority to have a reduction-in-force. Between 75% and 80% of the costs in Direct Operations is for personnel and the majority of the staff are managers and their clerical staff.

FACILITIES

QUESTION: You have requested no new funds for facilities in FY 1988. Do you have adequate carryover balances to fund completion of all hospitals currently under construction?

ANSWER: Of the projects presently funded, the following funds are still required to complete the project:

Toppenish	$ 7,884,000
Anchorage	$114,500,000
Wagner	$ 4,227,000
Pine Ridge	$ 11,201,000
Kotzebue	$ 37,617,000
Shiprock	$ 42,848,000
Ft. Belknap	$ 8,838,000
Parker	$ 6,603,000
Ft. Hall	$ 5,574,000

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

PRIVATIZATION OF INDIAN HEALTH SERVICE

QUESTION: The IHS has proposed the privatization of 75 percent of its hospital and clinic operations over the next 10 years. There is concern among a number of tribes that this plan includes an intent to contract with private profit-making corporations for the operation of IHS hospitals and clinics.

Should Indian tribes choose not to contract to carry out functions, does IHS contemplate such an arrangement with the private sector?

If so, how can IHS propose the privatization of what is essentially a public trust--the provision of health care to federally recognized Indians?

ANSWER: The IHS is committed to meeting its mission in providing comprehensive high-quality health services. Under existing P.L. 93-638 contracting mechanisms, the tribes can choose to manage and operate their own health care programs; however, they initiate and exercise that privilege under the special and unique relationship. The IHS has no intention of contracting a service delivery program or any part of such a program without the total knowledge and participation, and in full consultation with the tribe or tribes affected to assure that this process meets the needs and wishes of the tribe or tribes.

CONTRACT HEALTH SERVICES

QUESTION: The Administration's budget proposes a reduction of $47,392,000 (-24 percent) from the FY 1987 current services level for Contract Health Services. IHS has indicated that savings will accrue through the use of Medicare rates and improved case management.

ANSWER: It is estimated that a 6 percent savings will occur with the implementation of the payment policy. Based on the FY 1987 proposed CHS funding, that would be estimated to be approximately $10 million or 21 percent of the $47,392,000 reduction.

QUESTION: What evidence can IHS provide to assure that the proposed reduction can be made up through savings from Medicare rate payment and improved case management?

ANSWER: Evidence is not available at this time since the IHS payment policy is a new initiative for FY 1987.

QUESTION: IHS has promoted enrollment of eligible Indian patients in the Medicaid program. Since states must pay a portion of Medicaid benefits, does this policy not reflect a transfer of federal responsibility to states, often to those states which can least afford to pay additional dollars?

ANSWER: No. Indian patients are citizens of the state in which they reside and as such they are entitled to all benefits as any other citizen. The Medicaid program is an entitlement program and Indian patients who are eligible for Medicaid are encouraged to utilize their Medicaid entitlement. IHS services are not an entitlement and are residual resources that are to be used after all other alternate resources have been utilized. Medicaid is an alternate resource and current regulations require that the alternate resource be utilized. As can been seen, this is not a transfer of Federal responsibility but continued implementation of long-standing Federal regulations and policy.

PERFORMANCE STANDARDS

QUESTION: IHS has developed and has now placed in effect a new means of allocating IHS resources, the Resource Requirements Methodology (RAM). Within this process, IHS has applied certain performance standards which are highly subjective in nature and which offer no criteria for measurement.

1. How does IHS propose to measure each of these criteria?
2. What justification can IHS offer for each of these criteria?

ANSWER: Performance indicators were included in the RAM in order to provide adequate incentives for good management. A large percentage of the public comment regarding RAM supported increased emphasis on performance incentives.

There are four indicators of operational performance in RAM: 1) Manpower Productivity; 2) Cost Containment; 3) Third Party Resource Usage; and 4) Health Promotion/Disease Preventing (HP/DP) Activities. In RAM, IHS will use quantitative indicators for these 4 categories. The indicators themselves do not constitute rigid standards by which the programs will be judged to pass or fail, but rather these measures will reflect the relative differences between programs in the four categories.

Manpower Productivity will be measured by average number of clinical work units (clinical work units are hospital admissions, inpatient days, and primary care visits) provided per full-time equivalent employee. Programs that provide more services per employee will have higher productivity ratings.

Cost Containment will be measured by comparing a program's actual cost index (obtained by relating local unit costs to the average unit costs for all programs) with a target cost index for programs under similar conditions (obtained by the application of Resource Requirements Methodology (RRM)). Programs which have a cost index less than their target standard will receive a higher cost containment rating.

Third Party Resource Usage will be measured by comparing a program's actual utilization rate of alternate non-IHS resources against a target rate. The target utilization rates will be flexibly tailored for each state and service unit based upon the percentage of the Indian population that is eligible for such programs in that state. Those programs that come closest to or exceed the target utilization rate will receive higher third party ratings.

Health Promotion/Disease Prevention is a major initiative in IHS. These activities will be rated as part of the routine management/program reviews. These standardized reviews will assess, among other things, special programs oriented to HP/DP, staff orientation and training in practicing HP/DP medicine, community education efforts, HP/DP promotional efforts, and any changes in morbidity/mortality patterns attributable to HP/DP efforts.

HEALTH MANPOWER

QUESTION: The National Health Service Corps is proposed to be eliminated over the next three years. What percentage of IHS physicians are National Health Service Corps recipients?

ANSWER: Of 817 full-time physicians, 289 are fulfilling their commitment in payback for National Health Service Corps scholarships. This is 35 percent.

QUESTION: What current efforts are being made by IHS to retain existing physicians, dentists and nurses?

ANSWER: The IHS has developed a recruitment plan in conjunction with HRSA to provide for manpower for the underserved areas, including the IHS. The plan includes funds for clerkships, journal ads, conference displays, site visits, and prospective candidate travel. In addition, initiatives include a Medical School Advocate Program, a long-term training program for residents, and development of a recruiting videotape.

QUESTION: Is it true that the Resource Allocation Methodology model is providing the IHS with information that only 60 percent of health funding needs of Indian people are being met?

ANSWER: The 1987 forecasted percentage of unmet funding needs is not yet finalized. Given the significant modifications in the methodology during the past year, additional care is being taken in the review and verification of data and processing. We do not yet know if the new average funding level for IHS will fall in the sixty percent range. Preliminary data suggest that the revised estimates will fall significantly below the 80 percent range obtained as part of the operations analysis in 1985/1986.

These reductions in funding percentage occur due to both technical modifications to the cost methodology and changes in the needs forecasting assumptions. First, the Resource Requirements Methodology has been expanded to cover services not originally included. For example, Emergency Medical Services (a major expense) are now included in RRM. Also, whole categories of support like malpractice costs and other tribal contract management expenses are also included for the first time. The changes will increase the projected needs. Secondly, whereas the 1985/1986 operations analysis forecast resource needs only for the quantity and mix of services actually rendered in 1985, the new revised estimates include needs for eligible Indians that are unserved or underserved. Therefore, the 11 percent unmet need estimate from the operation analysis represented a shortfall in funding just to continue the 1985 service levels. The unmet needs estimates for 1987 will also include needs for services that are not currently provided and will thus be greater.

QUESTION: Given the lack of fiscal resources to meet documented Indian health needs, why would Tribal governments under P.L. 93-638 or the private sector seek contracts with IHS? Why would anyone wish to contract to provide health services when only 60 percent of the support cost for services are provided?

ANSWER: If an IHS-operated health care program is funded only in the sixty percent range, it is easy to understand tribes' reluctance to contract for such a program. Overall funding inadequacy has often been cited as the primary impediment in contracting IHS programs. A recent GAO study concluded that the most frequently mentioned barrier to increased Indian Self-Determination is, in fact, the level of funding.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

PAY RAISE

QUESTION: The President submitted as part of his FY 1988 budget request a rescission (R87-40) of $57.1 million in FY 1987 appropriations for Indian health facilities. In the accompanying budget justifications, the Administration indicates that these funds might also be transferred to help finance the costs of the federal civilian agency pay raise.

1. In the absence of congressional action, the rescission package submitted with the FY 1988 budget request expired on March 15. Have the funds proposed to be rescinded been released for the purposes for which they were appropriated? If not, why?

ANSWER: All of the funds proposed for rescission have been made available for their originally intended purpose; however, additional amounts were proposed for transfer from three projects. The projects affected by the proposed transfer include: the Anchorage Medical Center, the Pine Ridge Hospital, and the Shiprock Hospital. The transfer action is being considered by the Congress at this time.

QUESTION: I would specifically ask if the $3.175 million appropriated to proceed with the planning and design of a new hospital in Shiprock, New Mexico, has been made available for such purposes? If the Shiprock funding has not been released, why has it not been made available? When do you expected to proceed with these planning and design activities?

ANSWER: The $3,175 million appropriated for the planning and design of a new hospital in Shiprock, New Mexico has not been made available because of the proposed transfer to help finance the costs of the federal civilian agency pay raise. The IHS cannot proceed until funds are available.

QUESTION: You are proposing a change in the bill language authorizing National Health Service Corps Scholarship obligators serving in the Indian Health Service (IHS) to receive special retention pay. If this bill language is adopted, would the amount of pay change? How does this language differ from previous bill language included in IHS administrative provisions?

ANSWER: The IHS has been paying the special retention pay to these personnel. The authority is being moved only from the administrative provisions to the bill language.

QUESTION: You have proposed a couple of different bill language changes for the sake of better management and improved efficiency.

First, you are proposing to merge the services and facilities appropriations language to provide greater management flexibility and efficiency.

Second, you have also a change in bill language that would allow Medicare and Medicaid funds to be available for three rather than two years.

How does changing bill language facilitate management and efficiency?

ANSWER: The changes in the bill language will allow the use of these resources to greater benefit in doing maintenance and repair to our facilities. Some projects are costly and it would allow for the accumulation of dollars and the completion of the job.

SUBCOMMITTEE RECESS

Senator **Reid**. I appreciate—coming late and leaving early—I appreciate the brief time we have had to visit here today, and I look forward to receiving the answers which I know will be forthcoming as quickly as possible.

The subcommittee will stand in recess until Wednesday, April 8, at which time we will review the fiscal year 1988 budget requests for the U.S. Fish and Wildlife Service.

[Whereupon, at 3:53 p.m., Thursday, April 2, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, April 8.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

WEDNESDAY, APRIL 8, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:15 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Dennis DeConcini presiding.

Present: Senators Johnston, DeConcini, Bumpers, Reid, McClure, Stevens, and Nickles.

DEPARTMENT OF THE INTERIOR

FISH AND WILDLIFE SERVICE

STATEMENT OF WILLIAM P. HORN, ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS

ACCOMPANIED BY:

- **FRANK H. DUNKLE, DIRECTOR**
- **STEVEN R. ROBINSON, DEPUTY DIRECTOR**
- **JOSEPH E. DODDRIDGE, ASSISTANT DIRECTOR—POLICY, BUDGET AND ADMINISTRATION**
- **WALTER O. STIEGLITZ, ASSISTANT DIRECTOR—REFUGES AND WILDLIFE**
- **GARY EDWARDS, ASSISTANT DIRECTOR—FISHERIES**
- **RONALD E. LAMBERTSON, ASSISTANT DIRECTOR—FISH AND WILDLIFE ENHANCEMENT**
- **JAMES C. LEUPOLD, BUDGET OFFICER**
- **ANTHONY L. ITTEILAG, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR**
- **ROLF L. WALLENSTROM, REGIONAL DIRECTOR, PORTLAND, OR**
- **MICHAEL J. SPEAR, REGIONAL DIRECTOR, ALBUQUERQUE, NM**
- **HARVEY K. NELSON, REGIONAL DIRECTOR, TWIN CITIES, MN**
- **JAMES W. PULLIAM, JR., REGIONAL DIRECTOR, ATLANTA, GA**
- **HOWARD N. LARSEN, REGIONAL DIRECTOR, BOSTON, MA**
- **GALEN L. BUTERBAUGH, REGIONAL DIRECTOR, DENVER, CO**
- **DAVID L. OLSEN, DEPUTY REGIONAL DIRECTOR, ANCHORAGE, AK**
- **RICHARD N. SMITH, RESEARCH AND DEVELOPMENT, WASHINGTON, DC**

BUDGET REQUEST

Senator DeConcini [presiding]. The subcommittee will come to order. Today's Interior Subcommittee hearing is scheduled at this time to review the fiscal year 1988 budget request for the Fish and Wildlife Service.

Senator Johnston, the chairman, will be here shortly, and he has asked me to proceed.

The Service's request for its major operating account is $302,203,000, a decrease of $12,489,000, or roughly 4 percent, from the 1987 amount enacted to date.

If we reduce the fiscal year 1988 request by the $25 million proposed by the administration to be transferred from the "Sport fish restoration" account to supplement appropriated funds, we find that the budget request is actually for $277,203,000, a reduction of $37,489,000, or a total reduction of 12 percent from the 1987 appropriations to date.

Also pending before the committee is a supplemental request for $2,800,000 to reimburse the Service for firefighting costs incurred in fiscal year 1986. I would like to mention that a rescission request for $70,463,000 was submitted to the committee with the 1988 budget. I understand that the rescission proposal expired on March 16, 1987, and that the funds in question have been released for obligation.

The lead witness for the Service will be its Director, Mr. Frank Dunkle. Also testifying today will be Assistant Secretary for Fish, Wildlife and Parks, Mr. William Horn.

PREPARED STATEMENTS

I would like to welcome both of you gentlemen. If you would summarize your statements, we will have your full statement printed in the record, and you may proceed.

Mr. Horn. Mr. Chairman, I would just say that I would like to submit the statement for the record and would be pleased to answer any questions the committee may have at this time.

Senator DeConcini. You have no other statement?

Mr. Horn. No, sir.

[The statements follow:]

STATEMENT OF WILLIAM P. HORN

Mr. Chairman, I appreciate this opportunity to appear here today to describe the Administration's FY 1988 proposed budget for the U.S. Fish and Wildlife Service (Service). The budget which has been proposed totals $632 million, a decrease of $54.6 million when compared to the 1987 appropriation. Within this overall reduction are increases above the 1987 appropriation in priority areas such as contaminant research and monitoring, construction related to dam safety and remedial actions, and research on the woodcock, one of the principal declining migratory game birds. Reductions are proposed for deferrable activities such as land acquisition, refuge maintenance, and State grant programs for which the States should and can assume a greater responsibility. Thus, we believe this proposal represents an appropriate budget to carryout priority Service activities, balanced with the program reductions in FY 1988 required to meet the deficit reduction targets established by the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act.

Frank Dunkle, Director of the Fish and Wildlife Service, will be presenting specific highlights of the Service's budget proposal for each account. I would like to take this opportunity to outline priority program activities and discuss Service opportunities for alternative land acquisition.

One of my highest priorities has been implementing an entrance fee program on refuges similar to that which exists for many National Park Service units. For the first time in 22 years the Service now has authority to collect entrance fees on wildlife refuges. Through provisions of the Emergency Wetlands Resources Act of 1986, the Service is authorized to develop and implement a fee collection program on selected refuges. The entrance fee program is scheduled to begin in May, 1987 at selected refuges, with collections in FY 1988 estimated at $8 million dollars. Thirty percent of these funds, or $2.4 million projected for 1988, will assist in offsetting operation and maintenance costs of visitor facilities on the refuges. The other 70 percent of the receipts from entrance fees are to be deposited into the Migratory Bird Conservation Account. Currently, the Service is developing a final implementation package related to refuge fees. Fee schedules and appropriate refuges will be chosen by Service professionals, consistent with the criteria outlined in the legislation. The Service will consult with the Committees prior to implementation of this program.

The Wetlands Act also provides for the deposit of import duties on arms and ammunition into the Migratory Bird Conservation Account and gradually increases the price of duck stamps from $7.50 to $15.00. Total receipts are expected to increase by $11 million in 1988. This amount can be used to acquire an additional 13,000 acres of important migratory bird habitat.

Clearly, both the fee program and the increase in the price of duck stamps will assist in acquiring valuable lands for wildlife. However, given overall fiscal constraints, we must be innovative in the manner in which we meet acquisition objectives. Within the framework of reduced Federal spending, the Service will explore other approaches relative to acquiring priority tracts which do not require significant expenditures. We intend to explore acquisition alternatives, such as cooperative agreements, exchanges, and donations. Over the past several years, exchanges have contributed significantly to conservation efforts by facilitating the exchange of Federal lands with relatively low wildlife values for more important wildlife habitat areas. Since 1980, land exchanges have resulted in the acquisition of 85,000 acres of refuge lands, worth an estimated $18 million. Such exchanges obviously represent an attractive alternative to expenditure of appropriated funds for land acquisition. The Service is currently pursuing additions of approximately 35,000 acres through two proposed exchanges, commonly referred to as the Aerojet and Collier exchanges.

Recently, the Director of the Service and the Director of the Bureau of Land Management have signed a Memorandum of Understanding for the use of

Bureau of Land Management lands in exchanges to acquire needed refuge lands. The Service is also working on several exchange possibilities that will be subject to Congressional action. The Service has prepared legislation as a drafting service for members of the Florida and Nevada delegations, and has held discussions with the Aerojet General Corporation with regard to a draft exchange agreement to implement an interstate land exchange proposed by Aerojet. This would authorize the wetlands owned by Aerojet in Dade County, Florida, to be traded for desert BLM lands northeast of Las Vegas, Nevada. Aerojet would use the Nevada lands as a rocket assembly and testing facility, adding several thousand jobs to the Nevada economy, and the Florida lands would be sold to the local water management district for conservation. The revenues, currently estimated at approximately $2.5 million, received by the Department would then be used to purchase additional lands at existing refuges in Florida. This exchange proposal cannot be implemented without Congressional action.

In addition, we are actively working with two Florida corporations to exchange property owned by the Department of the Interior in Phoenix, Arizona, for 115 thousand acres of wetlands in Collier County, Florida, plus a cash payment to the Department presently estimated at $50 million. The exchange involves a cooperative effort between the National Park Service and the Fish and Wildlife Service. The largest tract of the acquired land would be added to the Big Cypress National Preserve, and the other areas would add to the Federal estate habitat for the Florida Panther, and the Ten Thousand Islands area off the southwest coast of Florida. The uses for the $50 million have not yet been determined. This approach, which also requires implementing legislation, could be offered as a substitute for the legislation which passed the House last year and was reintroduced this year in both Houses authorizing appropriations to purchase the area we propose to add to the Big Cypress National Preserve, along with other lands in the vicinity. At this point, no formal contract with the Collier interests and no final decision by the Administration have been made. However, if there is a positive Administration decision, we would submit this proposal to Congress for consideration soon.

Finally, Mr. Chairman, the Service has completed the five-year study on the potential impacts of oil and gas leasing and development on the Arctic National Wildlife Refuge. The north slope of Alaska may holds the most significant reserves of oil and gas in the United States. Twenty percent of our domestic production currently comes from Prudhoe Bay and adjacent fields. One hundred miles to the east of the existing north slope fields, along similar coastal plain topography, lie portions of the Arctic National Wildlife Refuge. Pursuant to Section 1002 of the Alaska National Interest Lands Conservation Act, the Service has prepared and released a draft report which assesses hydrocarbon potential on the Arctic Refuge, as well as possible impacts to fish, wildlife, and wilderness values as a result of exploration and development. Although a final 1002 report will be released within weeks, the preparation of a comprehensive conservation plan for the Arctic Refuge will be a part of FY 1988 Service activities on the north slope.

Mr. Chairman, this concludes my prepared statement. Director Dunkle is prepared to summarize his statement on the budget at this time, after which we would be pleased to answer any questions.

STATEMENT OF FRANK H. DUNKLE

Mr. Chairman, I am pleased to be here today to describe the President's proposed budget for 1988 for the U.S. Fish and Wildlife Service (Service). This proposed budget totals $632 million, and represents a carefully coordinated program to fund Service activities related to development, management and conservation of the Nation's fish and wildlife resources.

The mission of the Service is to conserve, protect and enhance fish and wildlife and their habitats for the continuing benefit of people. The Service has principal responsibility and authority for migratory birds, threatened and endangered species, certain marine mammals, and lands under Service control. Activities related to carrying out our mission are primarily funded through seven main accounts. The following description of the proposed 1988 budget notes each of the Service's major accounts, reporting both increases and decreases from last fiscal year. Special emphasis is placed on outlining the restructured budget activities under the Service's primary account, Resource Management.

Resource Management is the broad Service account which includes the activities of Fish and Wildlife Enhancement, Refuges and Wildlife, Fisheries, Research and Development, and General Administration. The 1988 funding proposal for Resource Management is $302.2 million, $15.3 million below the current estimate for 1987. Included in the 1988 request is $11.3 million related to anticipated costs of the new Federal retirement system and $4.1 million for increased FY 1987 pay costs. A total of $25 million of the 1988 request for Resource Management is derived from a proposed one-time transfer of receipts from the Sport Fish Restoration Account.

This Account was established by provisions of the Dingell-Johnson Federal Aid in Fish Restoration Program, and provides grants to the States for the management and enhancement of sport fish resources. The 1984 Wallop-Breaux amendments significantly expanded funds available to this Account, to the extent that the $25 million transfer will still leave an estimated $149 million for the Sport Fish Restoration Account in 1988, an increase of $8 million over 1987.

The budget proposes a total of $37.5 million for the Fisheries Activity, including the continuation of the operation of all national fish hatcheries in order to meet our high priority Federal restoration and production responsibilities. The budget reflects an increase of $1.2 million for the Lower Snake River Compensation Plan (LSRCP), to continue operations at two new facilities and to begin operations at a third facility that was scheduled for completion in 1987. We have, however, recently received a letter from the Corps of Engineers advising us of schedule slippage at the Clearwater State Fish Hatchery, therefore approximately $1.1 million of the proposed increase will not be required.

The total request for the Refuges and Wildlife Activity is $122.1 million in 1988. As part of a Departmentwide initiative, the Service has requested $1.2 million to help identify the extent of irrigation drainage contamination on Departmental lands, including refuges, and to assist in determining practicable solutions where problems may exist. Specific emphasis will be placed on identifying and resolving contaminant problems in the earliest stages. The Service has included a total of $22.1 million in 1988 for research, monitoring, and some corrective activities related to the effects of contaminants on fish and wildlife resources.

Total funding for refuge maintenance is $17.6 million. Funding for the Accelerated Refuge Maintenance Management (ARMM) Program is a proposed $3.2 million compared to $8.8 million in 1987. This brings the five-year cumulative funding level for ARMM to $61.6 million. This long-term effort to eliminate maintenance deficiencies on refuges has enabled the Service to achieve substantial accomplishments, which will be continued at reduced levels to address specific maintenance problems. In addition, 30 percent of collections from the new entrance fee program at designated refuges, estimated at $2.4 million, will assist in offsetting some operations and maintenance costs of visitor facilities. Collections of entrance fees, as authorized by the recent Emergency Wetlands Resources Act of 1986, will begin at 16 refuges in 1987. The Service is also proposing a Supplemental Appropriation for 1987 to provide $2.8 million for 1986 emergency expenditures related to fire suppression activities on units of the refuge system.

The funding request for the Fish and Wildlife Enhancement Activity is $41.7 million. Funding for endangered species will total $23.7 million in 1988 compared to $29.2 million in 1987. Of the $5.5 million reduction, $4.3 million is due to the termination of the state grant program. This program has generated active involvement by most States in endangered species activities which can be expected to continue. A reduction of $710 thousand in Federal recovery actions for specific species is proposed since some projects will be completed in 1987 and others are adequately funded from base resources or private funds.

The request for Research and Development for 1988 totals $51.5 million, including $1.9 million for research facility maintenance. However, a $500,000 reduction is proposed this year in research maintenance because accomplishments in this area in 1987 will bring the facilities within acceptable health and safety limits.

The fifth and final activity within the Resource Management Account is General Administration, now restructured to establish a line/staff management process that facilitates more effective operations and responsiveness to the new or changing demands placed on the Service. The 1988 request for General Administration is $49.4 million. Essential base funding adjustments of $603,000 for fixed costs are included in the total, and cover items such as postage, PAY/PERS, workers compensation and FTS telephone service.

Other appropriations within the Service include Construction (and Anadromous Fish), Migratory Bird Conservation, Land Acquisition, National Wildlife Refuge Fund, the Dingell-Johnson Sport Fish Restoration Account, and the Pittman-Robertson Wildlife Restoration Account. I will briefly outline our 1988 initiatives funded through these sources.

The 1988 Construction request includes $8.7 million for high priority health and safety projects, including $340,000 to continue required dam safety inspection and $1.6 million for monitoring of air quality and removal or encapsulation of asbestos from the Patuxent Wildlife Research Center. The request also provides for repair and modification of two high-hazard dams including Greenwood Lake Dam ($1.2 million) and Crab Orchard Dam ($5.5 million).

Total revenues available in the Migratory Bird Conservation Account are estimated to be $37.6 million in 1988. Pursuant to the enactment of the Emergency Wetlands Resources Act of 1986, the price of the duck stamp will be increased for the 1987-1988 hunting year from $7.50 to $10.00 resulting in increased receipts of $2.5 million in 1988. Additionally, this Act provides for the deposit of import duties on arms and ammunition into the Migratory Bird Conservation Account, which is estimated to be $15 million in 1988. This Act further authorizes the collection of entrance fees at National Wildlife Refuges which sustain adequate visitation levels and have an operational fee collection system. Seventy percent of the receipts collected from these refuges will be deposited into the Migratory Bird Conservation Account, providing the potential for $5.6 million for acquisition of additional wetlands in 1988.

The 1988 budget proposes $5.6 million in current appropriations for payments to counties in lieu of taxes under the National Wildlife Refuge Fund. Appropriated funds will be supplemented with prior year receipts from the sale of timber, grazing privileges, and minerals rights (approximately $4.6 million).

Although no funds are proposed in 1988 for new land acquisition from the Land and Water Conservation Fund, $1.6 million is requested to allow the Service to continue to support the ongoing acquisition program utilizing carryover balances and to explore a program of alternatives to fee acquisition. These alternatives include negotiating exchanges, easements, and donations for protection of important habitat.

By 1988 receipts credited to the Federal Aid in Sport Fish Restoration Account are expected to have increased by $136 million since 1985. Receipts to this account in 1988 are anticipated to be $174 million. These funds are used to assist the States in carrying out projects to restore, enhance, and manage sport fish resources. Because of the tremendous growth in the Sport Fish Restoration Account over the last several years, and recognizing our responsibility to restrain Federal spending, a one-time transfer of $25 million to the Resource Management account is proposed. After accounting for this transfer, funding in the Sport Fish Restoration account is expected to increase, from $141 million in 1987 to $149 million in 1988. Funds available for administration and execution of state-requested special projects will total $8.9 million in 1988.

Funding under the Pittman-Robertson Wildlife Restoration account will increase next year, from $109.7 million in 1987 to an estimated $114.0 million in 1988. The increase in payments to States under the Pittman-Robertson account is a result of the anticipated increase in excise tax receipts. These funds are used to restore, enhance and manage wildlife resources in the States and U.S. territories, and for funding State hunter education programs.

In summary, the 1988 request for appropriations which totals $318 million, and permanent funding of $314 million, will provide the Service with adequate resources to address national priorities within the framework of necessary budgetary constraints.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you may have.

BIOGRAPHY OF FRANK H. DUNKLE

Frank H. Dunkle, born in Oakmont, Pennsylvania, began his career in wildlife management in 1947 as a special warden with the Montana Fish and Game Department. He completed both Bachelors and Masters Degrees in wildlife management at Montana State University and in 1955 became an education assistant for the Montana wildlife agency.

Mr. Dunkle became Chief of the Information and Education Division in 1959 and Director of the Montana Fish and Game Department in 1963. He left the State agency in 1972 to enter the Republican primary for Governor. After losing the primary by 2,000 votes, Mr. Dunkle founded the Ecological Consulting Service in Helena. In 1974, he was elected to the Montana State Senate and a year later founded the Resource Education Foundation in Helena. From 1978 to 1980 he was Executive Director of the Montana Mining Association.

In 1980 Mr. Dunkle became the Executive Director of the Montana State Republican Central Committee. He joined the Federal government a year later as Staff Director, Mountain Plains Federal Regional Council. The Council was abolished in 1983 and Mr. Dunkle joined the Fish and Wildlife Service in Denver where he was coordinator for the Colorado River Endangered Fisheries Project. In May 1986, Mr. Dunkle was appointed Director of the Fish and Wildlife Service.

Mr. Dunkle is a past president of the Western Association of State Game and Fish Commissioners; 1970 Chairman of the Central Flyway Council; and a member of the International Association of Game, Fish, and Conservation Commissioners.

He was named an Outstanding State Legislator of the Year in 1977 by the National Association of State and Federal Employees, and has received the Green Leaf Award from The Nature Conservancy, the Sears Foundation 1968 Water Conservation Award for Montana, the 1971 American Motors National Conservation Award, and the National Rifle Association's Hunter Safety Award for 1967.

A veteran of Navy service in World War II and Korea, Mr. Dunkle is a Commander in the U.S. Naval Reserve. He is married and retains his residency in Montana.

BIOGRAPHY OF STEVEN R. ROBINSON

Steve Robinson, a native of Santa Clara, California, holds a Masters degree in public administration from California State University at San Jose.

Mr. Robinson obtained broad experience in management of energy and natural resources issues when he served as executive assistant to Nevada Governor Robert List. In this assignment Mr. Robinson acted as chief policy advisor for natural resources, energy, and administration of relations with the State legislature and the Congress. He also served concurrently as Director of the State's Department of Energy and earlier as Deputy Director of the Nevada Department of Conservation and Natural Resources.

From 1983 - 1986, Mr. Robinson was Chief of the Office of Legislative Services, U.S. Fish and Wildlife Service, formulating national Service policy on legislative matters and serving as the principal liaison to Congress.

Mr. Robinson served as special assistant to the Director from July to September 1986, working with top Service officials to coordinate and prepare projects for the Director's action. He assisted in many key areas of the Service's reorganization. In September 1986, Mr. Robinson was appointed Chief of the Division of Federal Aid, managing administration of the grant programs to States for wildlife and sport fishing restoration. Mr. Robinson was appointed as Deputy Director of the Service in January 1987.

BIOGRAPHY OF JOSEPH E. DODDRIDGE, JR.

Mr. Joseph E. Doddridge, Jr., was born February 15, 1942, in Buffalo, New York. He graduated from Niagara University with a BA degree in Public Administration in 1963. He served as a First Lieutenant in the U.S. Army from 1964 to 1966.

Mr. Doddridge's first position within the Civil Service was in 1966 as a Personnel Staffing Specialist and a participant in the Federal Personnel Management Program with the Bureau of Mines. In March 1969, he transferred to the Office of the Secretary Personnel Office, where he served as a Personnel Management Specialist and as Chief, Branch of Programs, Standards, and Issues. From September 1970, to March 1975, Mr. Doddridge served as Chief, Branch of Personnel Operations (A).

Mr. Doddridge was appointed Personnel Officer for the U.S. Fish and Wildlife Service in 1975. In June 1981, Mr. Doddridge was selected as Director, Office of Administrative Services, Office of the Secretary and in February 1984, he was appointed Deputy Assistant Secretary - Policy, Budget and Administration.

In June 1986, Mr. Doddridge returned to the Fish and Wildlife Service as Assistant Director - Policy, Budget and Administration. This newly established position centralized management of eight administrative divisions including all budget, personnel, finance, contracting and engineering activities of the Service.

Mr. Doddridge has received numerous awards including the Department of the Interior Meritorious Service Award in 1985. Mr. Doddridge is married and currently resides in Burke, Virginia.

BIOGRAPHY OF DAVID L. OLSEN

David L. Olsen, 53, originally from New York, received his B.A. in Biology from Bridgewater College in Virginia and his M.S. in Wildlife Management from Southern Illinois University.

Mr. Olsen began his career in 1962 as the Assistant Refuge Manager for Agassiz National Wildlife Refuge (NWR) in Minnesota. In 1965 he moved to the refuge manager position at Lake Andes NWR in South Dakota. He then served as the Wildlife Administrator - Refuge Manager in Hawaii from 1967 to 1973 and then on to the Washington Office as the Chief, Branch of Operations in Refuges. He continued his career in the Washington Office as the Chief, Division of Refuge Management (1980), Chief of Wildlife Program Development (1982-1983), and Staff Assistant to the Deputy Director and Director (1983-1984). In 1984, Mr. Olsen transferred to Alaska and has served as the Deputy Regional Director since that time.

He is a graduate of the Departmental Manager Development Program, and is currently participating in the Senior Executive Service Candidate Development Program.

Mr. Olsen is married and has three grown children, and enjoys all of the outdoor sports Alaska has to offer.

SOUTHWEST LAW ENFORCEMENT

Senator DECONCINI. OK. I do have some questions, and I will submit some of them in writing to you because of time, and you can answer them in due course.

I am concerned about a couple of things. In fiscal year 1987 the Service received an additional $200,000 and three FTE's to enhance law enforcement operations in the Southwest.

You indicated in your request that during fiscal year 1987 the additional agents will provide enhanced law enforcement support that will create a greater deterrent among those individuals who knowingly conduct illegal wildlife trade.

For fiscal year 1988, however, you propose to operate an effective law enforcement program in the Southwest without the $200,000 and the additional FTE positions.

Similarly, in fiscal year 1987 the Service received $50,000 to restore law enforcement activities and staffing in the Caribbean to continue the deterrent effects of this concentrated law enforcement effort. You now believe that in fiscal year 1988 a proposed decrease of $50,000 and one FTE will not adversely affect your ability to conduct an effective law enforcement program in the Caribbean.

This line of reasoning is extraordinary difficult to follow when we have had hearings and it seems to be very clear to this Senator, your own staff, local law enforcement officials, and others that we need additional help—both in the Caribbean and the Southwest.

Have the additional agents been hired that were authorized for 1987 and funded, and if so, what impact have they had so far? What specific impact do you anticipate? And what assurance do you have that deterrent impacts in 1987 will carry over to the future?

Mr. DUNKLE. Senator, Assistant Secretary Horn moved the microphone over to me. I am Frank Dunkle, the Director of the Fish and Wildlife Service.

Senator DeConcini. He is a good administrator.

Mr. Dunkle. You have asked two questions, one concerned with the Southwest and one with the Caribbean. With your understanding, I would like to ask the regional director from region 2 in Albuquerque, Mr. Spear, to answer one part of your question, on the Southwest, and then I would ask another regional director to respond to your question on the Caribbean.

Senator DeConcini. That is fine.

Mr. Spear. Senator, in the Southwest, because the money was going to be rescinded, we held off hiring those three agents until we got word a couple weeks ago that the money would be coming. Two of them were in place as trainees. It was a matter of converting them over to full-time positions from a training capacity, and so two of the additional three are on board. We are adding one more. They will be placed—one in Mesa, AZ, one in Albuquerque, and one in Lubbock in the desert Southwest.

The possibilities of the reduction in 1988 will be dealt with when necessary. If such a reduction takes place, we will have to reduce staff accordingly.

Senator DeConcini. Those three positions would be eliminated?

Mr. Spear. Well, at least three positions——

Senator DeConcini. Someplace?

Mr. Spear [continuing]. In that general area, whether it is the exact same people or whether or not because of moves or——

Senator DeConcini. Well, if I understand you, you have hired two of them; you are going to hire the third.

Mr. Spear. We are staffing up in 1987.

Senator DeConcini. How long have the two been on?

Mr. Spear. One has been around for the last couple of weeks, and one has been on a little longer than that. The third one will be coming on shortly in Lubbock.

Senator DeConcini. So you can't show any effects or impact by having those new people yet?

Mr. Spear. Well, one of them has been in Mesa in a training capacity. So he has been helping, but not in a full-time capacity.

Senator DeConcini. Thank you.

CARIBBEAN LAW ENFORCEMENT

How about the Caribbean?

Mr. Dunkle. The regional director from region 4 in Atlanta, Mr. Pulliam, would answer that question for you.

Mr. Pulliam. Mr. Chairman, we had two agents last year. One agent has since retired and our port inspector recently transferred to Customs.

Senator DeConcini. Well, are you going to hire one now with this $50,000 if the rescission doesn't take place?

Mr. Pulliam. Well, the $50,000 won't cover the salary and expenses for an agent.

Senator DeConcini. Are you telling me you are not going to hire one?

Mr. Pulliam. No, sir; I am not telling you that. However, $50,000 will not support an agent for a full year.

Senator DeConcini. What does it cost to support an agent?

Mr. Pulliam. It probably costs about $82,000 to support an agent for 1 year.

Senator DeConcini. So what are you going to do with the $50,000?

Mr. Pulliam. We will continue to send people down to Puerto Rico on details.

Senator DeConcini. Is that what you are doing?

Mr. Pulliam. We have done that and will continue to do so.

Senator DeConcini. So you will use that for travel and administrative expenses for a roving law enforcement person?

Mr. Pulliam. That is right.

Senator DeConcini. About how much time would be allocated then to the full, temporary, or revolving positions?

Mr. Pulliam. I think the turtle enforcement effort requires about 2 weeks.

Senator DeConcini. And did I understand correctly that you are replacing the one that retired and the one that went to Customs?

Mr. Pulliam. We have replaced them, yes.

Senator DeConcini. You have replaced both?

Mr. Pulliam. Yes.

Senator DeConcini. Yes; but one went to Customs. Did you replace that one?

Mr. Pulliam. Yes, sir; the inspector has been replaced.

Senator DeConcini. And one retired and you replaced that one?

Mr. Pulliam. Yes, sir.

LAW ENFORCEMENT REPORT

Senator DeConcini. Thank you. Thank you very much.

I understand that a report prepared for the Director in November 1986 identified the need for 46 additional agents, 25 wildlife inspectors, including 3 in Arizona, above current staffing levels.

This same report identified many other significant problems.

Have you taken any action to follow up on this report?

Mr. Dunkle. Senator, the action that we have contemplated—not taken—is that we are out of money. In order to expand to meet the 202 agents that Congress has asked us for, with the rising cost of keeping an agent in the field, we are going to have to have further discussions with the Congress. This takes into account the reduction request you just mentioned.

Senator DeConcini. Do you agree with that report fundamentally or generally?

Mr. Dunkle. Yes, sir; Congress doesn't give us much opportunity to agree or disagree. There was an indication that you wanted us to have 202 agents, and that is what we are striving for.

Senator DECONCINI. Well, someone correct me if I am incorrect; someone prepared a report for the Director identifying these needs, and does the Director agree with that report?

Mr. DUNKLE. Yes, sir; I have no problem with the report.

Senator DECONCINI. You have no problems?

Mr. DUNKLE. I just have no money.

Senator DECONCINI. You just have no money. I understand what you are saying. I know exactly what you are saying.

Let me ask one further question. Then I will yield.

ARIZONA HATCHERIES

It appears that the Fish and Wildlife Service and the Bureau of Indian Affairs tentatively reached agreement on funding for Alchesay and William Creek fish hatcheries in Arizona for fiscal 1987. Funding for operation and maintenance of these hatcheries seems to be a recurring problem since their transfer to the BIA.

In your views, what would be the best solution under this continuing funding controversy?

Mr. DUNKLE. We have several Bureau of Indian Affairs problems—I should say BIA/FWS, if I may use the letters—problems that need to be discussed and hashed out. These include the hatchery problem and the assistance problem. I am talking about the providing of fish plus where the money is put for the hatcheries that have been intermixed between the two agencies. Is it with the Bureau of Indian Affairs or with the Fish and Wildlife Service? Do they contract with us, or do we furnish the technical assistance and they pay for it, and they tell us how many fish they want and we charge for them?

There have been a few problems with that association that have to be worked out at the departmental level. We may have to come back to you to discuss how it should be done.

Senator DECONCINI. Would it be preferable in your judgment to have the hatcheries returned to the Fish and Wildlife Service?

Mr. DUNKLE. Senator, I think the Fish and Wildlife Service is in the business of running hatcheries, and probably we should run all hatcheries. But it was not my decision to put them over there. I was not here.

Senator DECONCINI. I understand that. But your best professional judgment is that it probably would be better to return them?

Mr. DUNKLE. I think we are in the position to know more about running hatcheries and raising fish than anybody else in the Government.

Senator DECONCINI. Speaking of raising fish, what has happened to the level of fish production at the Arizona hatcheries since they were transferred to the BIA? Do you know?

ARIZONA HATCHERY PRODUCTION

Mr. DUNKLE. Personally, I do not, but I would ask our Assistant Director for Fisheries to respond if he has that information, with your permission.

Senator DECONCINI. Thank you.

Mr. EDWARDS. Senator, my name is Gary Edwards.

I can't give you the exact production numbers, but they have remained the same since about 1982 since the hatcheries were transferred to the Bureau of Indian Affairs.

Senator DECONCINI. But, nevertheless, that is down from the early 1980's; is that correct?

Mr. EDWARDS. Yes; it is down, but the mission of the hatcheries has changed.

Senator DECONCINI. Thank you very much. Thank you for responding to my questions.

Mr. DUNKLE. Senator?

Senator DECONCINI. Yes.

Mr. DUNKLE. If I may, I think Mr. Spear, the regional director from Albuquerque, would like to make a remark.

Mr. SPEAR. Production has not been reduced because those hatcheries have been subsidized with money from other hatcheries in the region.

This fiscal year we have frankly just gotten tired of taking money out of other hatcheries. The BIA production will be reduced by 40,000 pounds.

Unfortunately, since we don't have the agreement yet signed and we are halfway through the year, the reduction will be a little larger this year than it otherwise would have been. We are so far into the year we have to shut off very quickly because as the fish grow they require more food.

Senator DECONCINI. What percentage reduction is that 40,000?

[Pause.]

Mr. SPEAR. That is about a 20-percent reduction in pounds. Twenty percent, this year.

Senator DECONCINI. And in order to meet that 20 percent in 1987, you have to have a transfer payment or payment from BIA or budget increase?

Mr. SPEAR. Yes; that is correct. You can take care of the problem now, but as we go along this year and keep those fish, you know, they use up more food as they get bigger. And so we plan to provide fish to the Indians, in roughly the same numbers, but they'll be smaller than they otherwise would be if we had sufficient funding.

Senator DECONCINI. Very good. Thank you. Thank you very much.

I'll submit the balance of my questions, Mr. Chairman. Thank you.

BIG CYPRESS BILL

Senator JOHNSTON [presiding]. Senator DeConcini, I might tell you and Secretary Horn both, in case you have not heard, that we reported out the Big Cypress bill this morning. We put in some language, a McClure amendment, which is not terribly satisfactory to anyone, including Senator McClure, which sort of allows, in general terms, for the exchange. The purpose of the bill really is to speed along the process, and I got your letter this morning, and I know you are going to speed that process in negotiating that exchange as quickly as you can.

Our purpose is to hopefully come back right after the recess, after the exchange is all negotiated and put specific language in there endorsing that exchange. And, of course, if the exchange falls apart, then stripping out the amendment and proceeding with the authorization. And I hope it is the former and not the latter. And I just mention that to you, because we've got that Indian school that's the subject of the exchange.

Senator DECONCINI. Is that included?

Senator JOHNSTON. Well, we don't include language in it, because— that refers specifically to that, the report language will.

Senator DECONCINI. Authority to exchange?

Senator JOHNSTON. Well, there's sort of some semigeneric language to allow for the exchange, but the bill will not pass in that form. Either we'll come back and amend it to specifically endorse every jot and tittle of what the specific exchange is, or we will take out the language altogether, depending on what Secretary Horn has done, and I'm sure he will bring that along successfully.

Now Mr. Dunkle, I understand, both Sabine and Lacassine Refuges in Louisiana will celebrate their 50th birthday and both need substantial dike rehabilitation.

SABINE AND LACASSINE REFUGES

Is dike work an eligible ARMM project?

Mr. DUNKLE. I guess that comes to me, Mr. Chairman.

I am Frank Dunkle, the director of the department—of the Service— pardon me. My State background slips out.

I would like to have Mr. Pulliam, the regional director for region 4, address that question for you, with your acceptance.

Mr. PULLIAM. Yes; it would qualify. And we would welcome you to the 50th anniversary, we have some events planned. We will probably have some dedications, celebrations for which we are reprogramming the money.

Senator JOHNSTON. All right. How about the dikes?

Mr. PULLIAM. Dikes at Lacassine?

Senator JOHNSTON. At either one.

Mr. PULLIAM. All right. As far as I know, we have no money for dike repairs at this time.

Senator JOHNSTON. At either one.

Well, I'm advised that they need that. I wish you would take a look at that.

Mr. PULLIAM. Well, as you know, Sabine and Lacassine have many miles of dikes, and there is a constant need——

Senator JOHNSTON. You will be on watch for that?

Mr. PULLIAM. Yes.

BAYOU SAUVAGE REFUGE

Senator JOHNSTON. All right. I understand that some consideration is being given to combining the construction project funded at Bogue Chitto with the facility needs at Bayou Sauvage.

What is the current status of that review?

Mr. DUNKLE. Mr. Pulliam again.

Mr. PULLIAM. As you know, the legislation provides for the acquisition of Bayou Sauvage Refuge and for completion of a master plan. We have funding at Bogue Chitto for construction of a headquarters facility.

It appears to us that it would be prudent on our part to operate Bogue Chitto and Bayou Sauvage from one headquarters. There is a site on the Bayou Sauvage—along Interstate 10 that would make a good headquarters location. It is very accessible to the public. We do have about $1,600,000 appropriated for Bogue Chitto.

It would probably be prudent on our part to reprogram from Bogue Chitto to Bayou Sauvage to construct the headquarters of the entire unit. We are working internally right now with that proposal.

It appears to us to be the smart thing to do. Even though we don't have title to the land at Bayou Sauvage, we do have a couple of people working on the master plan at the present time.

Senator JOHNSTON. Will you have that completed in the 2-year period?

Mr. PULLIAM. I doubt that we are going to meet that. There's a lot of background work that needs to be done along with some research—we think it's going to take a considerable amount of time and money to prepare a master plan of the quality that would be acceptable to the public.

Senator JOHNSTON. Well, I wish you would give us a status report as time goes on.

With respect to Bayou Sauvage, what is the status of efforts to begin land acquisition?

Mr. PULLIAM. Right now TNC is still negotiating with the landowner—Merrill Lynch. My understanding is that it will probably be late April or May before anything is finalized on that.

I think the boundary of the area has pretty well been settled.

Some uncertainty remains concerning about how much we are going to have to pay for the area—my understanding is that it is worth about $17 million——

Senator JOHNSTON. What is the status of the wetlands study of the State and Federal coastline protection task force?

Mr. HORN. Are you talking about the coastal barriers report, sir?

Senator JOHNSTON. Well, it's a wetland law study.

COASTAL BARRIERS REPORT

Mr. HORN. OK. We basically have completed it within the Department and are working with policy, budget and administration. Some of the first drafts of the report have undergone internal review among ourselves, Fish and Wildlife Service, and PBA. We're looking at the latter part of this year for transmittal to Congress. You know, that's behind schedule.

One of the gentlemen working on it has had some illness problems which have slowed it down, but we are trying to polish the drafts right now and expect transmittal later this year.

NATCHITOCHES HATCHERY

Senator JOHNSTON. All right. With respect to the Natchitoches fish hatchery, which is a favorite hatchery of mine and one that I have been working on for a long time, I understand that the Service is proposing to fund it at $281,000 in 1988, up from $219,000 in 1987. I'm told that the increase includes $63,000 for cyclical maintenance at the site.

I want to congratulate you for this proposal, and particularly that we have it alive and well, healthy.

What is the overall condition of that hatchery?

Mr. PULLIAM. Well, the money you are speaking of is to update the electrical system——

Senator JOHNSTON. I have a number of other questions which are in writing, but I want to thank all of the witnesses. I am going to have to leave, and I will turn it over to my colleagues here for further questioning, but I want to thank the witnesses for their testimony today. And I would also like to express my appreciation to the regional directors who have attended today.

The subcommittee will have a number of questions, not only from me but from other Members, and we will submit those after the hearing.

Senator Reid?

Senator REID [presiding]. Thank you very much, Mr. Chairman.

Mr. Secretary, reading your statement, I think it is important to draw note to a couple of things that you've stated in there.

First of all, you've indicated that there's a decrease of about $55 million that you've proposed; is that right?

OVERALL BUDGET

Mr. HORN. Yes, sir; the overall decrease in the Service's budget is $54.6 million from fiscal year 1987 to our fiscal year 1988 proposed number.

Senator REID. I just left an hour and a half ago or something like that, a hearing on another subcommittee that I am a member of, and there we're dealing with multibillions of dollars. It is a Defense Military Construction Subcommittee. It seems that for all that needs to be done with the Fish and Wildlife parks that we somehow have our priorities messed up, especially if you read down further, I see that you say one of your highest priorities is the entrance fee program. I would think that that shouldn't be one of the highest priorities, that that should be something that is way down at the bottom of the list. I know we're hurting for money, but I would think that some of the priorities would be to try to purchase some of the land, may not be around to purchase in a few years, but I think we're going to have to——

Mr. HORN. Mr. Chairman, most of the cuts that we have built into the budget are part of the exercise to deal with the Gramm-Rudman-Hollings deficit reduction targets. Our emphasis has been to focus the reductions in areas where it may not be the optimal situation, but where we think we can get away with—to put it in the vernacular—some deferrals. This is in areas like construction, State grant programs, the LWCF side of the land acquisition program——

Senator REID. What is that?

Mr. HORN. It stands for Land and Water Conservation Fund. Also some slowdown of the Accelerated Refuge Maintenance Management Program. When we take reductions in those particular areas, we come up with the aggregate $54 million reduction.

Of course, in some areas, such as land acquisition, we've tried to be fairly aggressive in coming up with low-cost alternative ways to acquire important lands, and my statement outlines a couple of the major land exchanges. And Senator Johnston made reference to one that we're working on that——

LAND EXCHANGES

Senator REID. One of which is in Nevada.

Mr. HORN [continuing]. One of which I know you are very familiar with. The other one involving the Collier folks would permit us to pick up the remaining acreage for the Florida Panther Refuge, which is a high priority.

So, we're looking for ways to pick up these important lands for the conservation system units without necessarily having to rely on appropriated funds because of the deficit.

I think that in the overall sense we tried to keep the reductions as small as we could make them. We tried to focus the reductions in deferrable areas, and obviously, where we had reductions, find alternative ways to make up for those, such as land exchanges. Obviously, I think people can argue and debate over what the appropriate priorities are. We've got enough funds in this budget to do what I think is an adequate job. I would not sit here and try to make the case that what we're doing is a first-class job, but I think given the overall Federal budgetary consequences, I am not sure right now that we can afford to fly in the front section of the airplane, but I think we can get there riding in the back in the supersaver fare area.

Senator REID. Directing your attention to some of the questions that I have in Nevada, recently Nevada has received a great deal of publicity as a result of several million fish that have died in the Carson Sink and tens of thousands of birds. No one seems to know why.

Are you familiar with the problem?

CARSON SINK DIE-OFF

Mr. HORN. I can give you my quick sort of layman's overview and then ask the gentlemen in the Service.

It appeared that the die-off was the function of two features. One, there was a lot of run off into the area so the Sink increased in size, and then, of course, due to the cycles of mother nature, we had a reduction of flow into the area, so there was evaporation. We had increases in salinity, and that seems to have been the primary feature in triggering the fish kill. Then, of course, we had a concurrent outbreak of avian cholera. That, apparently, was the primary factor that resulted in the deaths of a number of waterfowl and birds.

I think that either the Director or the other folks in the Service could give you some of the technical information.

Mr. DUNKLE. Mr. Chairman, do you wish more information?

Senator REID. Yes, please.

Mr. DUNKLE. Mr. Smith, the head of our research.

Mr. SMITH. Dick Smith.

We have looked at about 1,500 birds. Of that 1,500, the largest percentage had died from avian cholera——

Senator REID. Only 1,500, huh?

Mr. SMITH. That's what we've had to look at to date.

Senator REID. The press reports said——

Mr. SMITH. The number that I have heard from our field people is in the neighborhood of 1,500 to 2,000 birds.

Senator REID. What about fish?

Mr. SMITH. In numbers?

Senator REID. Yes.

Mr. SMITH. About 2 million to 3 million fish died. The cause of mortality of fish was not contaminants. The cause of mortality was increased salinity and, therefore, it's nothing out of the ordinary. We still have six samples to look at. Selenium levels we've looked at are not something to be concerned about.

Senator REID. Is that normal that it doesn't happen gradually, just all at once?

Mr. SMITH. I can't speak to that. I think the explanation that was given is reasonable.

Senator REID. I don't know who this question should be directed—to whom it should be directed, but whoever can answer it, if you would do so, I would appreciate it.

What are the plans of the U.S. Fish and Wildlife Service for the stewardship and management of the Ash Meadows National Wildlife Refuge?

ASH MEADOWS REFUGE

Mr. DUNKLE. I was on Ash Meadows 3 weeks ago. There are some road needs. We will be having the new manager reporting on by May 4.

Senator REID. Is that the question regarding the road around Ash Meadows?

Mr. DUNKLE. Yes, sir.

Senator REID. In a way that would be sensitive to the integrity of the wildlife? That's been the concern?

Mr. DUNKLE. Yes; and the planning is underway. We are asking for, or considering reprogramming some other money to go in to do the work that will be required to bring the road up to a condition that will protect and enhance Ash Meadows bringing back the old slough area. These are several things that you've heard about.

Senator REID. When do you think you've a decision on when and what you're going to do there with the road?

Mr. DUNKLE. That reprogramming is going through its reviews at the moment. I would hope that we can get underway, have our planning all in place by the middle of the summer.

Senator REID. What about the staffing there? That's also been a complaint, that there's never anyone there.

Mr. DUNKLE. Hopefully, when the new refuge manager reports he will be accessible. He'll be living—I can't say the name of the little town.

Senator REID. Pahrump.

Mr. DUNKLE. Say it again?

Senator REID. Pahrump?

Mr. DUNKLE. Yes, sir; he will be living there. He had some physical difficulties, and that's why he's 1 month late.

Senator REID. When will he start? Do you know that?

Mr. DUNKLE. Yes; it will be May 4.

Senator REID. All right.

One question that's been brought to my attention. Would Mr. Smith flip back to the problem we're having in the Carson Sink?

The investigations that have been taking place by the Bureau of Reclamation, Geological Survey, in your agency are related to toxicants and heavy metals in the drain waters, the newlands project that enters still water.

Has there been anything other than your comment on selenium regarding the heavy metals which would include mercury that's in the water that could have caused the problem?

I shouldn't say could have, but did.

SAMPLE ANALYSIS

Mr. SMITH. The chemical analysis being done is with fish. Our Columbia Pesticide Research Lab is looking for selenium and other heavy metals. I can't be sure what those are. But I would guess they are boron, mercury, and selenium.

Senator REID. When will you have something on that? Do you know?

Mr. SMITH. I don't know.

Senator REID. When you have those, would you alert me to what they are, the findings?

Mr. SMITH. I certainly will.

Senator REID. Great.

I'm sure my time is expired. I have some questions and a statement regarding the Wallop-Breaux moneys, but I'll submit that in writing and would turn the time pursuant to the directions from the chairman to Senator Nickles.

Senator Nickles?

Senator NICKLES [presiding]. Thank you very much, Mr. Chairman. And to our panelists, thank you as well.

Secretary Horn, I want to, one, compliment you for the way that you've worked with not only myself but our staffs on several Oklahoma projects, particularly the Tall Grass Prairie.

I know that we've been exchanging letters, and so on. Is there anything new in that regard that I should be aware of, or anything that I can do to facilitate the Department's interests as well?

OKLAHOMA PROJECTS

Mr. HORN. I think, Senator, what we're waiting for is the responses to some of the earlier questions you and other members of the delegation posed to us.

The region has worked up some options and my expectation is to be briefed on those options and answers to some of the legal questions next week. I expect to be back to you in the immediate future to outline some of the different courses of action that might be available to you all.

Senator NICKLES. I appreciate that. That, as well, included the proposal or suggestion of paying for the prairie preserve by—what? Exchanging land or selling some land in one sector of the country to pay for that?

Is that correct?

Mr. HORN. As I indicated earlier, as a way to get around the deficit problems attendant to appropriating funds for land acquisition, we've been looking for innovative ways to exchange lands directly, land for land, or to maybe come up with combination systems.

The exchange we are presently working on that Senator Johnson referred to earlier involves exchanging properties in Phoenix for properties in the Everglades. That exchange would generate approximately $50 million in a cash equalization payment to the Federal Government.

And, obviously, different proposals are being kicked around about what would be the appropriate disposition of that $50 million.

The Department has made it clear that we think some percentage or some portion of that money should be made available for other conservation acquisition programs that the Department and/or Congress sees fit to dedicate those funds toward.

Obviously, if it's the will of Congress that the Tall Grass project is of sufficient priority, possibly some of the funds generated from that cash equalization payment might be available for this particular project.

Senator NICKLES. I asked you specifically about the Phoenix-Everglades project. I've heard it called an exchange, but are you just going to sell some land? Is that downtown Phoenix, or adjacent?

COLLIER EXCHANGE

Mr. HORN. It's on the north side of Phoenix. It's an Indian school property. We're finishing up the contracts and the appraisals at this very moment, the rough estimate is that the value of the property is about $100 million. The Collier interests in Florida propose to tender to us about 118,000 acres of land in south Florida that would be added to the Big Cypress National Preserve. Another 35,000 acres would be added to the Wildlife Refuge System to complete the Florida Panther Refuge and to create a new Ten Thousand Islands Refuge that would help manatees and bald eagles, among other endangered species.

Those lands are estimated to be roughly worth $50 million. Then to equalize the value, the Colliers would pay us an additional $50 million in cash.

So that is a hybrid arrangement of both cash and land flowing to the Federal Government in return for this urban parcel in Phoenix.

And then, of course, one of the outstanding questions is the disposition of the cash equalization payment. What does that money get used for? That's an open question at this time.

Senator NICKLES. So, basically, you would be exchanging land, but they would have to come up with some payments to offset the values?

Mr. HORN. That's correct. Their land is not worth $100 million.

Senator NICKLES. You just take what? Do you have a couple of appraisals on property of that type?

Mr. HORN. We get appraisals. And then, of course, we have to sit down with the landowners and negotiate, because when we're purchasing, we much prefer to purchase by negotiated settlement as opposed to condemnation. Our track record in court is that we pay about 150 percent of appraised value when we go to condemnation, so we'd much rather work something out on a willing seller/willing buyer basis. That's obviously what we're in the process of finalizing now. We hope to bring that whole package back to the authorizing committees just after Congress returns from the Easter recess.

Senator NICKLES. A couple of other comments for our Fish and Wildlife Service people.

FLOOD DAMAGE

There was significant damage in some areas in my State due to flooding, and so on. I think we've been contacted by some of our Fish and Wildlife Service people of—I don't know—$500,000 or something in damage to roads and other areas.

Is that contemplated being repaired in your budget?

Mr. DUNKLE. Yes, Senator; we have several million dollars in storm damage that we are working into a proposal that will be submitted to the Department to take care of those damages.

Senator NICKLES. I appreciate it.

Also, you mentioned the fees. Are fees being charged right now to enter the refuge?

ENTRANCE FEES

Mr. DUNKLE. Not at this moment. We will be starting to charge fees. What we did was we determined certain refuges that would lend themselves to an entrance fee approach. Then we asked the Park Service, who has considerable more experience in this, and asked questions such as: how do you go about this, and are they really worthwhile areas? Can we come out ahead on the fee collection?

We are now at the point where we have identified about 16 areas that we will be starting to charge fees, to figure out how we're doing with the program and how it works out. As we move along, we'll be adding more and more refuges.

That fee money will come back to the refuges for maintenance, for development.

Senator NICKLES. To that specific refuge or park?

Mr. DUNKLE. It is a 70/30 split.

Senator NICKLES. 70/30 would stay there? Seventy percent would stay there?

Mr. DUNKLE. Thirty percent would remain within the refuge system.

Senator NICKLES. Will you be charging fees, for example, like to the Great Salt Plains Refuge?

And if you do, are you talking about $2 a car, or $1 a head? What kind of fee are you talking about?

Mr. DUNKLE. No; it would be charged by vehicle in most instances. Sequoyah, OK, would be the one refuge that would come under your concerns.

Senator NICKLES. And what kind of a fee would that be? If you're going to start charging us in a couple of months, I want to——

Mr. DUNKLE. I would like Mr. Spear to handle that question for you.

Mr. SPEAR. Sequoyah is the one in Oklahoma we're looking at. Our proposal would be to charge a $3 fee for cars or $1 per person.

Senator NICKLES. Whichever is less?

Let me just make a comment, and we have debated this in the Energy Committee, as you know, on National Parks, everything from Statue of Liberty and others.

But my main concern on some of these, they don't have a high visitation rate anyway. I'd hate to see you spend more money trying to collect these than you would be collecting fees.

And, in other words, not really making a lot of progress either toward enhancing the refuge or park, or whatever. Some may have traffic and more than justify it. And others, you may scare away enough traffic that, you know, we would see the numbers of visitors decline substantially because the rates or fees would be too high.

Senator BUMPERS. Senator Nickles, would you yield?

Senator NICKLES. I'd be happy to.

Senator BUMPERS. I'm going to hold a hearing in my subcommittee of the Energy Committee, and you're not a member of that subcommittee but you are a member of the committee. I have invited—if you haven't received an invitation, you will, all members of the committee to participate in an oversight hearing on park fees.

Senator NICKLES. I appreciate that.

A couple of other quick questions.

There's been proposed Little River National Wildlife Refuge. Can you bring us up to date on that proposal? In McCurtain County in southeastern Oklahoma.

LITTLE RIVER REFUGE

Mr. SPEAR. Senator, we have purchased approximately 2,000 acres or one-fourth of the total. Six thousand acres belonging to the Weyerhauser Corp., remains to be purchased at a cost of $4.4 million.

The manager has been hired and will be arriving shortly.

Senator NICKLES. So you have 2,000 acres. Nature Conservancy is going to buy 6,000 and you plan on buying that from them?

Mr. SPEAR. The Nature Conservancy has a purchase option on 6,000 acres for approximately $4.4 million and if funds were made available we would plan on buying it from them.

Senator NICKLES. Then that would leave you a balance, the original size was what? Seventy-five hundred?

Mr. SPEAR. Some scattered inholdings may need attention later, but $4.4 million is the amount to acquire the essential habitats.

Senator NICKLES. Was the total amount $5 million that we're looking at?

Mr. SPEAR. $4.4 million.

Senator NICKLES. OK. I appreciate that. And one final comment.

Mr. Secretary, have a lot of concern or a lot of issue or debates been brewing over the ANWR's project? Is it the intent of Interior to—what? Begin leasing? Where do you stand on that? Is a lease imminent?

ANWR PROJECT

Mr. HORN. We anticipate the transmittal of the report required by section 1002 of the Alaska National Interest Lands Conservation Act to Congress within the next couple of weeks.

Under the terms of the 1980 statute, Congress has reserved to itself the authority to make the decision on how that 1.5 million acre coastal plain area shall be managed in the future.

Once the report is transmitted to you all, it's in the hands of Congress. And we obviously will await any decision from Congress before we proceed with whatever management regime the statute decides.

Senator NICKLES. Does it take affirmative action by both Houses of Congress to initiate a lease?

Mr. HORN. Yes; it will take a new statute to set in motion whatever future management regime Congress decides upon for the area.

Senator NICKLES. That's regrettable because that's going to be difficult to do.

I have no further questions.

Senator Bumpers?

COOP UNITS

Senator **Bumpers**. Mr. Dunkle, first of all, I'm sure you know of my considerable, long-time interest in establishing a—wildlife and fishery research unit at the University of Arkansas. I know that one of the reasons Fish and Wildlife has been reluctant to get involved in that is because they feel that the units they have now are not sufficiently funded, and they're short on manpower, and so on.

Just how serious is the manpower shortage? And how much money would it take to bring them up to speed? And have you asked for the money?

Mr. **Dunkle**. You asked three questions, Senator.

Senator **Bumpers**. Yes.

Mr. **Dunkle**. In response to the first one, there are adequate people available to staff a station or a unit at a university. We can find the people; they're available.

The second question you asked was how much does it cost? What would it cost to put in a unit? And I think you were saying what do we need to bring units up to staffing that we have?

Senator **Bumpers**. Just forget the University of Arkansas proposal right now and just tell me how many research units do you have now?

Mr. **Dunkle**. We have 15 that are not up to full status. And that means that we probably are lacking one or two people. If it's a combined unit, we may have only a leader and not the two other staff members.

If it's just a fisheries or a wildlife unit, we may not have an assistant in there. We have 15 units that do need additional staff. We do not have the money to do that.

It would run about $1 million, give or take.

Senator **Bumpers**. Do you normally get about 50 percent from universities, the State, local game and fish commissions, and so on?

Mr. **Dunkle**. Not necessarily. The Federal Government pays for the personnel. And I'm talking about salaries, all of the things that go with hiring a person, and travel.

The universities generally furnish space, secretarial assistance, and equipment, as well as status for the faculty members. The State will generally furnish equipment, money for studies and some travel.

We don't have an overall agreement that calls for each State and each university to do a certain amount. Most of the agreements are different. We do need to review that and come up with an overall memorandum of understanding with both universities and the States.

But, as I say, our share is the actual payment of salaries and the other needs of people that we hire, which would be three in the case of a combined unit, two in the case of a fish or a wildlife unit.

Your third question was have we asked for the money? No, sir; we have not.

Senator **Bumpers** [presiding]. I'm getting an inferiority complex. Thirty-five States have these units. Little old Arkansas is one of the 15 that doesn't.

ARKANSAS UNIT

Mr. DUNKLE. Senator——

Senator BUMPERS. Can you imagine how bad that makes me look back in Arkansas?

Mr. DUNKLE. I understand and I would like to help you, but there are five other States that are joining you in feeling badly.

Senator BUMPERS. Good. We'll do them all. Who are the other five?

Mr. DUNKLE. Well, it would take $200,000 times each of those five to cause this to happen, plus another $1 million to bring the others up.

So, give or take $2.5 million, we certainly could take care of your needs as well as those of the other folks.

Senator BUMPERS. Well, if I don't worry about the other five and just get the money put in for my State, that will be hunky-dory with you, won't it? [Laugher.]

Mr. DUNKLE. Well, sir, I would hope that when you do that, you would also assist us in getting a memorandum of understanding with the university and with the State fish and game department, and bring along the $200,000. And you'd see us as your firm friend.

Senator BUMPERS. Why, I can do that. That's no problem for a high-stepper. We can get that. [Laughter.]

Mr. DUNKLE. And I can assure you that——

Senator BUMPERS. Even Senator McClure is going to vote for that. [Laughter.]

Who knows? Senator Stevens may come along. May have to drag him, but he'll come along, too.

Senator STEVENS. What is that? [Laughter.]

Senator BUMPERS. We've got to get him awake first, but he'll come along.

Mr. DUNKLE. You're moving out of my province at that point.

Senator STEVENS. If it's to give something to Arkansas, why——

Senator BUMPERS. Count you in, huh?

Senator STEVENS. I might have some reservations.

Senator BUMPERS. [Laughing].

Secretary Horn, Senator Nickles touched on something that Senator McClure and some of us discussed at length this morning, which you may be familiar with on this land exchange. And since that is in your jurisdiction, could you give us, Senator McClure and me especially, a little update on just where you are and whether you really believe this land exchange is going to be consummated very shortly?

And, if so, how shortly?

COLLIER UPDATE

Mr. HORN. I think that we will be in a position to provide to Congress, as I indicated in the letter I sent to you on March 30, the contract between ourselves and the Colliers, which will basically be the land that we would exchange, the values attendant to it and the terms and conditions that go with it, basically on April 20.

At the same time, the Collier people have been working very closely and diligently with the mayor's office in Phoenix. And my understanding is that we are very near to having an agreement between them and the city regarding the use that the Colliers would make of the land in Phoenix that, obviously, would accommodate the interests of the mayor.

Senator BUMPERS. Is that 105 or 110 acres?

Mr. HORN. It's 108 acres. When you take out the city streets rights-of-way, it comes down to 103 acres.

In addition to that, we have had continuing conversations with the Arizona Inter Tribal Council regarding their concerns and discussions with the Appropriations Committees and others about the deal and making sure that we take care of the educational needs of the Indian students presently enrolled at the Phoenix school.

Assistant Secretary Swimmer, I know, has met with various members of the committees on both sides discussing that very issue. We are working to make sure that the educational needs of the children are met because, obviously, that's a very important precondition to getting the school closed and we have to have the school closed in order to make the land available.

Senator BUMPERS. Is that school open now?

Mr. HORN. It's open right now. And there is a recommendation from the Bureau of Indian Affairs that it be closed. I think, in the past, this committee has indicated its interest in having the school closed, as well, because of the substantial investments made in alternative educational institutions elsewhere within the State of Arizona.

There have been bills dropped in—I know one introduced on the House side by Chairman Udall on behalf of the Inter Tribal Council—that would accommodate this exchange.

The tribal interests have said basically: We will go along under two conditions. One, the needs of our children are appropriately dealt with; and, two, that one-half of the proceeds generated from any exchange be made available for the benefit of Arizona Indian interests.

Senator BUMPERS. Now, what does that mean, one-half of the proceeds?

CASH PAYMENT

Mr. HORN. In my mind, that means, basically, the $50 million in cash that the Colliers would most likely put up as a——

Senator BUMPERS. In other words, one-half of the value of the exchange?

Mr. HORN. Yes.

Senator MCCLURE. No; one-half the cash difference.

Mr. HORN. Yes; well——

Senator BUMPERS. Are you saying one-half of the $50 million, or——

Mr. HORN. No; I think they're saying one-half of the total value. That's what our communications from the Inter Tribal Council have been. That, obviously——

Senator BUMPERS. The exchange is valued at roughly $100 million, right?

Mr. HORN. We're finishing up that. Roughly, $100 million, with $50 million in land and $50 million in cash.

Senator BUMPERS. Well, so that Senator McClure and I both are well-advised on this, are you saying now that the tribal council is asking for $50 million or $25 million?

Mr. HORN. Fifty million dollars. That's based on our figures.

Senator BUMPERS. In other words, they want all the cash that's coming out of this deal.

Mr. HORN. Basically, that is correct.

Senator BUMPERS. Has the Department signed off on that?

Mr. HORN. No; we haven't. And I think I've made it clear that in terms of the cash disposition, what we would like to do is to leave that an open question, to have that worked out basically between ourselves in cooperation with the Congress.

Our interest has been that some percentage of that cash be made available to the Department for other conservation acquisition programs. And, obviously, whatever programs those might be, we would like to work with you all in making that determination.

Senator BUMPERS. Now I don't want to give anybody a license to be obstreperous because of what the attitude of this committee and the Energy Committee might turn out to be, but it's quite obvious from the discussion this morning in Energy that the congressional delegation, the mayor of Phoenix, the Governor of Arizona and the tribal council—you call it the Inter Tribal Council?

Mr. HORN. Yes; Arizona Inter Tribal Council.

Senator BUMPERS. All these interests are going to have to be pretty-well satisfied and sign off on this. Congress is going to essentially have to sign off on this settlement, too.

It occurs to me that if there's a hangup anywhere, it's just going to make our job much more difficult. And I——

AGREEMENT ON EXCHANGES

Mr. HORN. I think the important part is that the Governor of Arizona has basically endorsed this concept, and we've had meetings with Governor Mecham on that point. We anticipate agreement with the mayor of Phoenix here very shortly, which would accommodate his particular interests.

I think the question with the tribes is the handling of the children. And that's something that the Bureau of Indian Affairs has been working on very diligently.

And, of course, the disposition of the dollars has to be considered. And that's something, obviously, that's going to be a decision for the Congress.

I think that if that's really the primary outstanding issue, I would hope that we would be able to bring this matter to very quick resolution with you all as the arbitors of how that is to be settled.

Senator BUMPERS. Well, Mr. Secretary, I don't want to get deeply involved in the negotiations, but is there a central or particularly sticky sticking point that caused this settlement not to be made earlier?

Is there anything outstanding right now that you can think of that's going to torpedo this agreement?

Mr. HORN. Sitting where I'm sitting at this moment, I think the two primary issues are how to deal with the Indian children and what will be the disposition of the cash equalization payment.

Most of the others, if they're not resolved now, as I've indicated, I think they'll be resolved within the next 2 weeks.

Senator BUMPERS. So you anticipate a final agreement being signed and one in which all of those people I just mentioned will have literally signed off on within the next 2 weeks?

Mr. HORN. I think that the outstanding question in the next 2 weeks will basically be the Indian question. How do we dispose of the money? I, frankly, think that we can come up with some proposals, but the Department is not in a position to make any binding commitments with the Inter Tribal Council on how to divy up the money.

That's something we think is a congressional decision and, obviously, this committee and the House committee have also reserved, through language in last year's bill, a role to be played in making a decision on whether or not the school should be closed.

And so we have proposed that the school be closed. But the decision on school closure is again in the hands of Congress. So the only two issues I can't resolve have been reserved, in essence, to Congress itself.

Senator MCCLURE. Would my colleague yield?

Senator BUMPERS. I'll be happy to yield.

INDIAN SCHOOL

Senator MCCLURE. The populations in that school have been declining, the enrollments. And as a result, the committee has taken a very close look at whether or not the school should remain open.

Alternative education opportunities have been and are being provided. That's the reason the population is declining.

Now, in the event——

Senator BUMPERS. Is that a boarding school?

Mr. HORN. Yes; it is.

Senator MCCLURE. In the event the school were closed——

let's assume for a moment that we're not involved in an exchange, simply now have accommodated the educational requirements for a group of Indian children from several different tribes. And that school then would be closed.

What happens to the property?

Mr. HORN. Really, there are a couple of options. The most obvious option is that the property would be declared—I can't remember whether it's surplus or excess—and be put up for sale by the General Services Administration, and whatever it would sell for, the proceeds would be deposited in the general fund.

Or, some portions of the property, if not all of it, the city of Phoenix could make an application, again through the General Services Administration, for a recreational conveyance and the GSA is authorized by law to give recreational lands at a 100-percent discount.

So the property could conceivably be given free to the city of Phoenix with no Federal benefits.

Or, third, as in some cases in the past—not on properties this big—some of these school properties have been transferred to either tribes or tribal councils, again, free.

So those are basically the options if the school were to be closed.

Senator McCLURE. Generally, in the absence of a specific statute or congressional mandate as to the disposition of the property, it would follow the usual route of being declared excess.

The surplus to GSA for handling under the statutes that deal with the disposal of excess property.

Mr. HORN. That is correct, sir.

Senator McCLURE. And this arrangement is one which, in essence, shortcircuits all that, makes a specific up-front decision without going through that disposal process.

Mr. HORN. That is correct. Obviously, from the Department's selfish perspective, instead of $100 million going into the General Treasury, it provides us a basically off-budget method of acquiring all this land in south Florida that we think is important and, at the same time, generating some additional cash proceeds for appropriate disposition.

Senator McCLURE. I go into that only at this time so that nobody would get the idea that this is property that belongs to the Indian tribes and that if the school is closed, they automatically own it and, therefore, they're giving up something in order to make it available for exchange.

The tribes don't own it.

Mr. HORN. No; it's been Federal property since the 1890's. It was purchased by Uncle Sam approximately 95 years ago.

Senator McCLURE. So, whatever they get out of it is a matter of judgment and negotiation and approved by whatever Congress ultimately decides is equitable so far as the Indians are concerned.

Mr. HORN. Yes, sir.

Senator McCLURE. I thank my colleague for yielding.

WALLOP-BREAUX TRANSFER

Senator BUMPERS. Thank you very much. Just one additional question, and perhaps somebody has asked this question already. I won't belabor or take the subcommittee's time if they have.

You're proposing, Mr. Dunkle, to transfer $25 million of the Wallop-Breaux money to your basic operating account.

Is that correct?

Mr. DUNKLE. Yes, sir.

Senator BUMPERS. I don't think that's a good idea. [Laughter.]

Mr. DUNKLE. It hasn't been a popular one, sir. [Laughter.]

Senator MCCLURE. It's a little like taking 25 percent of the gross instead of 25 percent of net.

Senator BUMPERS. Well, I'm not going to belabor that. You know, you may be serious about your proposal, but I just can't imagine that flying around here.

Mr. DUNKLE. Well——

Senator BUMPERS. We need the money in my State, and I'm sure every other State does, too.

Mr. DUNKLE. To just carry the thought process on, the Wallop-Breaux funds grew rather dramatically. And it was said that it grew so rapidly that the States would be unable to match it.

I think we have found out since then that the States have indicated, right or wrong, that they could match or well overmatch any moneys that became available.

It was the Secretary's determination that with that tremendous growth in that fund, to use $25 million of that in our operating budget would take a bit of the stress off the general budget and general appropriation needs of the Congress.

Ultimately, the decision will be yours and we will do as you say.

Senator BUMPERS. Why don't we just take $250,000 out of it and fund the cooperative unit at the University of Arkansas. That would be a good solution to that problem. [Laughter.]

Mr. DUNKLE. Senator, I believe I've gotten a message from you today. [Laughter.]

Senator BUMPERS. Senator Stevens?

Senator STEVENS. Mr. Horn, what percentage of the lands and wildlife refuges are in Alaska?

ALASKA REFUGES AND PARKS

Mr. HORN. Approximately three-quarters of the acreage that constitutes the National Wildlife Refuge System is in the State of Alaska.

Senator STEVENS. And what percentage of the funds that you see for wildlife refuges will be spent in Alaska?

Mr. HORN. Approximately 10 percent.

Senator BUMPERS. I can't imagine where this line of questioning is going. [Laughter.]

Senator STEVENS. What percentage of the parklands of the United States are in Alaska?

Mr. HORN. Approximately two-thirds of the acreage of the National Park System is in Alaska.

Senator STEVENS. What percentage of the parklands that you request are to be spent in Alaska?

Mr. HORN. That one I don't know but I suspect it's probably, you know, 5 to 10 percent again.

Senator STEVENS. It's even less than 10 percent.

Mr. HORN. Maybe. I'd have to get that for you for the record, but it's probably comparable to the Fish and Wildlife Service's arrangement.

Senator Stevens. Are you adding to wildlife and parks people?

Mr. Horn. What we've got is a circumstance in most of the parks where, with the exception of places like Katmai, Denali, and Glacier Bay, we don't have to do much people management ala Yellowstone or Yosemite.

Most of the park money is going into maintaining some basic staffing and doing essentially baseline work to ascertain what are the resources that we've got in those, as you know, very vast acreages up there.

So we just——

Senator Stevens. And if I want to get more money for Alaska's parks for wildlife refuges, what I'll do is try to prevent more people from going into those towns—right?

Mr. Horn. No; I think, obviously, what we've got to try to do is some balancing toward keeping the operational money in the lower 49 parks where we've got an awful lot of public use impact, and yet continue to move money into Alaska so we know what we've got and can stay ahead of any developing problems.

It's my expectation—I'll put in a plug a little in advance of the hearing that Senator Bumpers referred to—we think that with the interim fee arrangement we have this year, if that's turned into permanent authorizing legislation under our fiscal year 1988 budget, it would give us an operational account in the Park Service of $715 million, the largest in our history.

That type of funding will permit us to continue to move more money into resource management programs, which, of course, are the primary focus of our efforts in places like Alaska.

ENTRANCE FEES IN ALASKA

Senator Stevens. Well, that's where I was going. I'm sure that Senator Bumpers realizes it. Why should we pay those fees in Alaska if we can't get into these parks or wildlife refuges?

Mr. Horn. Our proposal on entrance fees has no entrance fee proposals for Alaska. It does propose a user fee related to the Denali bus system, which I know based on our previous conversations, costs us approximately $15 a person to provide that bus ride.

We don't want to recoup 100 percent of the cost, but we'd like to be in a position to recover at least ~~some small portion~~ of those costs from the users.

Other than that, we are not proposing any entrance fees in Alaska because, frankly, you'd lose money trying to collect them up there, as I think you're well aware.

Senator Stevens. Well, I'm being partially facetious, but partially, I'm trying to make a point. One of our colleagues has suggested that the share of Alaska, from revenues from lands, open development, be used for the Land and Water ~~Conservation~~ Fund and for other activities in parks and wildlife refuges, as I understand it.

Under the circumstances, we get so very little out of either of those funds in terms of management activities in Alaska lands, I think you can understand my reluctance to support that proposal.

But I also wonder seriously whether the rest of the Park Service and the Fish and Wildlife Service isn't to manage people in the areas that have been put under their jurisdiction rather than to manage the resource basically put under their jurisdiction.

Senator STEVENS. I would urge you to think about the philosophical side of this funding.

Why should the increase in people in wildlife refuge increase the money available for managing the resources in the wildlife refuge?

Mr. HORN. The Director indicated earlier we are setting up the limited refuge entrance fee program as a result of the authorizing legislation passed last year. This will be implemented in those areas where we do provide some form of very direct recreational service that we can effectively and efficiently collect some modest fee and then use a percentage of that money to go back to enhance the resource, so that in essence the user is getting some direct benefit.

Under the refuge system 70 percent of the dollars that are collected from entrance fees go to the migratory bird conservation fund for national wetlands acquisition. It is only the 30 percent that remains with the refuge system that is being targeted back toward the collecting refuges.

PARK FEES

We have proposed a similar type of program but with a different split on the Park Service side, something in the 50/50 nature. The collecting park keeps in essence 50 percent of what it collects with the remaining part going to the system as a whole for general distribution. One of the critical features in any of the pending park fee authorizing bills deals with what is the appropriate distribution between the park system as a whole and the collecting park. That is something we are going to be working on with the authorizing committees very closely.

I think we are trying to achieve a balance, to provide some additional enhanced funding for those areas that cannot collect fees efficiently, where it might be inappropriate to collect fees for various policy reasons, but at the same time make sure that in those parks where people are paying they have got some assurance that an appreciable chunk of their dollar that they pay at the gate is going back into the park so they know they are getting some direct benefits out of paying the fee.

Senator STEVENS. But you have a series of national parks in Alaska that have neither visitor accommodations nor any means of public access to the parks; isn't that true?

Mr. HORN. That is correct.

Senator STEVENS. There's none been planned in this bill, is there?

Mr. HORN. No, sir.

Senator STEVENS. It seems to me that it would be a dichotomy to set aside national parks and then say they are not available to the people.

Mr. HORN. Well, I think, as you are well aware, we have gone through that general management planning process, and I have tried in all the final changes that I have made personally in the park GMP's, to hold open the prospects for the future.

I will give you a good example. As you recall from the 1980 act, an area in the Wrangell's, Tebay Lakes, was excised from wilderness designation simply to keep open the option for some limited, let's say, Brooks Camp type development in there in the future.

The Park Service had proposed at the regional level that the Tebay Lakes area be designated wilderness. That was one that I overruled and said, no, leave it nonwilderness to keep open the future option of a visitor development. We have tried to do that in a number of the parks up there, to keep those options for the future so that if the budgetary circumstances change around we will be in a position to move some money into some of those areas and do some appropriate visitor development so people can get back into some of those magnificent areas that right now are awfully tough to get to.

Senator STEVENS. Well, I hope we are successful.

Thank you very much.

Senator McCLURE [presiding]. Thank you very much.

I have a couple of parochial questions, and then I want to get in—not that any of the others have been—[Laughter.]—and then I want to get into an area that is both parochial and national policy dealing with endangered species.

POTLATCH EXCHANGE

First, I understand that earlier this year the Department was proceeding with the land exchange between the BLM and the Fish and Wildlife Service and the Potlatch Corp. Those discussions were rather preliminary, and I don't have all the details, but my understanding is that the Service was attempting to acquire 40,000 acres of Potlatch land in Arkansas in exchange for 10,000 acres of BLM land for Potlatch in northern Idaho.

Am I correct?

Mr. HORN. I think that without the acreage figures nothing was decided in that sense. Potlatch has got land in Arkansas that we very much want, and, of course, BLM has these timber holdings that we thought might be of interest to Potlatch. So we thought we could come up with something mutually beneficial.

Senator McCLURE. What is the status of that negotiation?

Mr. HORN. We have been discussing with BLM to try to find out exactly what acreage in Idaho could be made available for the purposes of exchange, and that process is underway at this time.

On a concurrent basis, we have been talking to Potlatch about what BLM has that Potlatch might be interested in, and, of course, what do they see as the relative value of the lands that they might acquire from BLM in Idaho, and how does that match up with the value of acreage in Arkansas that obviously the Service would like.

Those discussions are continuing. We are not at the stage yet of much specificity. I can assure that as soon as we get a little more specificity we will be keeping you very closely posted.

Senator McCLURE. Well, I wonder if you might give me by letter, not necessarily to the committee but to me, some general idea of where you and where the lands are so that I might get a heads-up on trying to determine whether or not there are other interests that might be affected in an adverse way that would want to be heard from.

Mr. HORN. Sir, I think we can get that information to you right away—I have seen some of the land status maps that we have identified and had some of our preliminary conversations. I can show you both the lands that BLM has initially identified as well as those lands in the general area that we think at least need to be given more than a cursory look for possible inclusion.

Senator McCLURE. Has Potlatch identified their areas of interest?

Mr. HORN. Not yet. We have had apparently a little mixup in signals as to who we need to be talking to in Potlatch as to——

Senator McCLURE. I might help you. I know some of those folks.

Mr. HORN. Understood, and I think we will be back to avail ourselves of those services very quickly.

Senator McCLURE. All right.

HAGERMAN FIELD STATION

In August 1987, the Service is scheduled to complete major construction rehabilitation of the Hagerman field station. This work will expand the existing office and replace the wet laboratory in order to conduct research on physiological and nutritional requirements of rainbow trout and Pacific salmon.

It is my understanding that there is $225,000 in the fiscal year 1988 budget for the operation of this facility.

Will this amount be adequate to effectively utilize the newly renovated facility?

Mr. DUNKLE. Senator, could I ask Mr. Smith from research to answer that question?

Senator McCLURE. Surely.

Mr. SMITH. No, sir.

Senator McCLURE. What was the answer?

Mr. SMITH. No, sir.

Senator McCLURE. All right. I thought that is what you said.

If not, how much is necessary to use that facility in full?

Mr. SMITH. To effectively utilize the facility that has been built, an additional $300,000 to $350,000 will be needed.

Senator McCLURE. In addition to the 225?

Mr. SMITH. Yes.

Senator McCLURE. If the Congress added those funds, what additional work would the field station perform?

Mr. SMITH. It would expand its activities in the husbandry area related to the production of rainbow trout, plus work involving mitigation related to Chinook salmon that come up the Snake River.

Senator McCLURE. Yes.

Mr. SMITH. The initial research was directed toward dealing primarily with the Snake River Valley's trout.

Senator McCLURE. Well, I have a long-range hope in my own mind that some of that anadromous fish run that used to come through Hell's Canyon and into the Middle Snake region, we may find a way to rehabilitate that run and reestablish it.

Now, that is a tougher problem.

Mr. SMITH. This kind of work is assigned to the Seattle Fisheries Research Laboratory. The work at the moment is in determining the effect of outplanting of Chinook salmon on native populations.

The work we are talking about at Hagerman could be in this area, but to date that has not been the intent.

Senator McCLURE. Well, that is a long-range dream perhaps. Maybe dream is more credible than goal, but I can't believe that we don't have the means to circumvent the difficulties that were created by the building of three dams in Hell's Canyon on the Snake River. There used to be very good fish runs on the Payette and on the Weiser Rivers and there were probably on the Malheur and on the Owyhee, but certainly on the Weiser and Payette, and those have been totally eliminated, and there is, I hope, some means—some reason to hope that we might be able to do something about that in a longer term. That is certainly not anything we are going to do in the short term.

I want to get into the question of the gray wolf recovery plan for 1 minute. I am sure you would have been disappointed if I hadn't mentioned it.

GRAY WOLF RECOVERY PLAN

Mr. DUNKLE. Yes, sir; I am anticipating it. Most of this book you see in front of me is for your questions.

Senator McCLURE. As you are aware, there is some potentially very serious conflicts associated with the proposed recovery of the wolf in the West. However, due to the efforts of a few of the more reasonable environmental organizations, such as Defenders of Wildlife, and their willingness to work with stockmen and other commodity interest groups dependent upon the use of the Federal lands for their livelihood, we may yet be able to see a viable recovery of the wolf in the appropriate areas.

Members of my staff have spent the last few days in Minnesota with a group representing diverse interests discussing problems and successes being experienced in the program there. Hopefully, we can learn something from those events that we could apply fruitfully.

There are some projects that I would like to suggest be strongly considered for addition to your current Minnesota efforts because I think those Minnesota efforts will have a very strong coloration of our success with respect to the gray wolf recovery program in the West.

These suggestions I have are not very costly, I don't believe. They do cost something. But they may provide us answers that might spell the difference between success and failure.

First, I think a survey is needed to compare the losses of sheep and cattle on farms outside the wolf recovery area of Minnesota with those experienced on farms with chronic predation problems.

Second, it seems to me a 2-year examination of calf losses on a chronic farm is needed in order to be able to make a better determination as to whether wolves or coyotes are actually to blame for the majority of the loss.

I have said flippantly before if we get into just a compensation plan for all losses I am going into the sheep business and you are going to finance my profit. So I think we need to get a better handle on what causes the losses so that we know whether or not simple compensation is an appropriate answer.

Minnesota may be able to help provide some answers.

Finally, relocation has not been successful in solving predation problems in Minnesota, and we are trying to say to stockmen in the West that if we run into problem wolves we will just trap them and relocate. That hasn't been successful in Minnesota because no matter how far you take them they get back.

A study where one or more depredating alpha pairs were captured, radio collared and relocated repeatedly as many times as is necessary until they no longer return to the capture site, if that is possible, would help researchers and managers to determine whether or not wolves could eventually be persuaded not to return. We don't know that yet, and until we know that we are going to have some trouble convincing people who are skeptical.

If we are able to develop that information and if, indeed, it were successful, it might ultimately be useful in preventing the death of wolves that would otherwise be destroyed in order to halt the predation.

Now, I don't know whether those suggestions in the aggregate would cost very much, but I would invite you to look at those, give us an opinion as to what their costs might be and some opinion, if indeed you have one, as to whether or not they are worth pursuing.

Would you do that for the record, please?

Mr. DUNKLE. Yes, sir.

[The information follows:]

WOLF RECOVERY STUDIES

The Service agrees that the three studies recommended would produce information important to recovery of wolves in Minnesota. Preliminary study descriptions and costs follow:

Title.—Comparison of Rates and Causes of Cattle and Sheep Mortality in Chronic Wolf Depredation Areas of Minnesota With Areas Outside the Wolf Range.

Scope.—Information on livestock losses would be collected via telephone survey. Statistically valid samples of ranchers in chronic wolf depredation areas, as well as outside the wolf range but still in northern Minnesota, would be selected and surveyed relative to the rates and causes (known v. suspected) of livestock losses, especially numbers of livestock that cannot be found. An attempt would be made to select farms from within and without the wolf range that are similar as possible, to correct for farm management practices, size of farm, presence of alternative predators, percent of pasture that is wooded, et cetera.

Cost.—$25,000/year, for 1 year.

Title.—Determining Cause of Calf Losses at a Minnesota Farm Suffering Chronic Wolf Depredation Problems.

Scope.—A farm from which calves disappear regularly without known cause would be selected. Mortality transmitter collars with expandable neck bands would be placed on calves (or a random sample of calves) born in the spring before cows and calves are turned onto open pasture. The herd would be monitored daily. Whenever a transmitter comes on (indicating mortality) the carcass would be visited immediately and cause of death determined.

Cost.—$69,000 for year one; $47,000 for year two—($116,000 total).

Title.—Determining the Practicality of Breaking the Homing Tendency of Wolves by Repeated Relocations.

Scope.—Six adult wolves (three males and three females) would be captured, fitted with radio collars, and translocated within Minnesota's primary wolf range. Wolves would be relocated via aerial or satellite telemetry frequently enough to monitor movements. Any wolf that returned to within 15 miles of its capture site would be recaptured and returned to the release site. If necessary this procedure would be repeated up to six times to test the return persistence of the wolves.

Cost.—$109,000/year, for one year.

GRIZZLY BEARS

Senator McClure. If I can shift to the grizzly bear for a moment. You got by on wolves pretty easy.

Mr. Dunkle. I am glad I was able to answer all of your questions, Senator. [Laughter.]

Senator McClure. I am becoming more and more concerned about the process—now, I want to talk just about process for 1 minute—of setting and using recovery goals and targets for endangered species. It appears the closer we get to achieving a target that has been agreed upon as the criteria for delisting a species, the more likely it becomes that we can expect a change of the rules. We just shift the target, so we don't get to delisting, or at least back-peddling by researchers and biologists who set the rules in the first place.

People seem to have developed a mentality that once a species has been listed, it is impossible to continue the management and protection without the cover of the Endangered Species Act.

I don't believe you believe that is necessary, do you?

Mr. Dunkle. No, sir; I don't. I think the Endangered Species Act was suggested and passed and carried through so that we could protect those species in trouble. But the other part of the act is that recovery and then delisting is a very acceptable part, and charge, that the Service has.

Senator McClure. And if we could delist, we can still take appropriate actions to protect those populations even though they are no longer on the list?

Mr. Dunkle. I certainly hope so, or we have learned nothing.

Senator McClure. Yes; I think we have learned a lot over the last decade or so about how to manage these problems. We are learning every day.

But in the process a lot of researchers have also discovered something else, and that is as long as a critter remains on the list it is a relatively easy matter for them to get money to study it, and they have every reason to try to make sure that they stay listed because that is the guarantee to their financing for what they want to do, and that is without respect to whether that listing is any longer necessary for the purpose that they were listed in the first place.

I think we are seeing some of that in the grizzly bear recovery program today, and let me illustrate—and I think it is only an illustration, and I will refer to one area that just happens to be partly in Idaho but I think is typical.

I am talking about the Selkirks ecosystem of northern Idaho.

Biologists have evidently only recently discovered that there are grizzlies in the Selkirks, and that's a fact that's been known by those who work in the area for many years. The recovery plan for the Selkirks calls for a recovered viable population of 70 to 90 bears. And I've been told by people that I think have sufficient expertise and knowledge to be credible that that figure includes bears located in the contiguous habitat on the Canadian side of the border in British Columbia.

Is that understanding correct?

Mr. DUNKLE. I would not admit to that at the moment, sir.

Senator McCLURE. Would you admit to it for the record?

Mr. DUNKLE. I would admit to looking into it and getting back to you, yes, sir.

Senator McCLURE. All right. If you'd do that, please.

[The information follows:]

GRIZZLY BEARS IN THE SELKIRK ECOSYSTEM

Biologists have known for the past few years that there were grizzlies in the Selkirks, but the exact number of bears and amount of habitat available were in question. The States of Idaho and Washington have used section 6 grant-in-aid moneys to continue research in this ecosystem to determine bear movements, home range, and habitat use. This work is scheduled to continue in 1987. Research over the past few years has shown a dramatic increase in the known number of bears in this ecosystem. The original recovery plan for the bear, approved in 1982, did not establish a goal of 70 to 90 bears for the Selkirks. Rather, it stated that, "a greater commitment by State wildlife agencies and Federal and State land managers to determine the present status of the population and the extent and quality of occupied grizzly bear range is needed before a viable population goal can be estimated." The goal of 70 to 90 bears has been used only recently, and may be established as a definitive goal for the Selkirk ecosystem during revision of the recovery plan. Such a goal would include bears located in the contiguous habitat north of the Canadian border. The grizzly bear population in the Selkirks represents possibly one of the most robust populations in the lower 48 States. This is due in part to its proximity to carefully managed grizzly habitat in Canada and the ongoing protective efforts and cooperation among all involved agencies. Although as little as 4 years ago there was some doubt whether grizzly bears were even present in this ecosystem, continuing research and careful management, as well as the fact that the ecosystem connects with Canadian bear habitat, result in a favorable outlook for this population.

SELKIRK HABITAT

Senator McCLURE. I also understand that there's some real doubt among biologists that enough habitat is available within the U.S. portion of the Selkirks to support anywhere near that number of animals. And I would assume you'd like to comment on that for the record, too.

Mr. DUNKLE. I would agree that you are correct.

Senator MCCLURE. All right.

I understand too that biologists have confirmed a minimum of 24 to 26 bears in the Idaho portion of the Selkirks. Since the bear is not endangered or threatened in Canada, why do you insist on using Canadian populations as a part of the criteria for recovery, when we have no control over what happens in British Columbia?

Mr. DUNKLE. For the record, Senator, I will have a report on that for you with a recommendation. Yes, sir.

Senator MCCLURE. All right. Thank you.

[The information follows:]

GRIZZLY BEAR RECOVERY GOALS

Unfortunately for wildlife and land managers, wildlife popuations do not recognize boundaries defined by the land managers. Those bears living in the Selkirk ecosystem are part of a larger grizzly population, most of which lives in Canada. Some of these bears regularly move back and forth across the United States-Canadian border. Maintaining such gene flow is essential to preserving the genetic integrity of the population. We cannot divide the habitat into clearly defined parcels, especially when dealing with a far-ranging species like the grizzly bear and hope to succeed in recovering the species. It should also be pointed out that four of the six existing grizzly bear ecosystems are contiguous with and dependent upon Canadian grizzly populations. Thus, it is truly critical that we maintain coordination and cooperation between the wildlife managers and policymakers in both countries. In actuality, maintaining such a cooperative working relationship should not be that difficult. Canada does have a very professional, conservation-oriented wildlife management program, and has shown interest in and commitment to preserving the bear. In fact, Canada is an invitee to the Inter-agency Grizzly Bear Committee, and Canadian biologists have been appointed as members on the Northwest ecosystems and Northern Continental Divide ecosystem subcommittees.

RECOVERY GOAL

Senator MCCLURE. And it seems to me it would be more reasonable to establish a recovery goal based upon what we can control, even if it is a joint population that is transboundary. If there is not enough habitat to support a viable population as required by the Endangered Species Act, why do we even consider the area for recovery? It seems to me that obviously what we're trying to do is to protect an endangered species, and if the viable population area and a viable population has to be in both countries, and the other country doesn't protect them, we're really kind of doing a futile act. And I wonder if you would look at that and also include that in your report to the committee.

Mr. DUNKLE. The nod of the head, for the record, is yes, sir.

Senator MCCLURE. Yes; thank you. Well, it appears to me that we may be using the act here to provide support for the recovery of the animal in area that wouldn't qualify under other circumstances. That's really the basis of my questions. I also understand that Canadian researchers stated at the IGBC meeting in Denver last December, that there are at least 108 bears in the Selkirks on the Canadian side of the border. If my addition is correct, that means there are currently at least 132 to 134 bears in the ecosystem on both sides of the boundary, and that is 40 to 50 percent above the recovery goal.

It would seem to me that if those facts are facts, then a delisting process for that population should have been initiated before now.

I would appreciate your comments, and again, if you can do that for the record.

Mr. DUNKLE. Yes, Senator; I will check with the IGBC and others and have a report and/or comment or recommendation for you.

Senator McCLURE. Thank you very much.

[The information follows:]

GRIZZLY BEAR POPULATION

After carefully reviewing the minutes of the December IGBC meeting, and checking with the Canadian researcher present at that meeting, we cannot confirm any record of an estimated population of 108 bears being presented. At present, we are not aware of any data for grizzly bear numbers in the Canadian portion of the Selkirk ecosystem. The only gross estimate of grizzly numbers available is for the Kootenay region, which covers some 29,708 square miles. Approximately 650 bears are estimated to exist in this vast area, most inhabiting the northern part of the region far from the United States-Canadian border. In the U.S. portion of the Selkirks, 6 bears have been captured and the population may be in the range of 20 to 25 bears. However, most of these bears occupy an area directly along the border and spend part of their time in Canada and part in the United States. Thus, the population certainly does not yet appear to be at the recovery level.

DELISTING PROCESS

Senator McCLURE. And I think you know, and I don't have to state for the record, that I am in support of the recovery program for both species I have mentioned.

Mr. DUNKLE. Yes, sir, and I would like, if I may, to add a comment about——

Senator McCLURE. Surely.

Mr. DUNKLE. As you know, the State of Montana has asked that we consider delisting the grizzly bear population on the overthrust for the eastern slope of the Rockies. We are starting through the procedures of delisting, which says—and everybody got excited when I mentioned this, by the way, that we were going to do something terrible—nothing happens rapidly in the Government, as you are aware.

The delisting process is fairly interesting. We are only going through the first step, which is—Montana said, we would like you to consider this. So we have a letter of intention. We are sitting down with the State to review all of the grizzly bear information for that particular population. If it seems to be enough, we will then proceed further, saying, here is the information. It seems to be pertinent. We will then begin our recommendations for a delisting process. Or we will say, among us, no we can't propose delisting, we need these additional pieces of information. It will take this kind of an approach and this kind of time. When that part is done, then we will take the next step.

I feel confident that there are good people in both agencies, and we will come to agreement and move ahead with whatever is necessary.

I would mention further that you commented, we put species on, but we never take them off. However, we have taken a few off the list such as the brown pelican, the crocodile, some of the alligators in certain areas, and a few others. But my point is that we come along and suggest, if we do take them off, that we have to have a management plan, and that involves both State and Federal approaches. That management plan is what continues to keep that species in a productive light and so that it does not go back onto the endangered list.

For those who worry about the capabilities of either the States or the Federal Government to handle its affairs, you can always run an emergency relisting, and that species is right back under protection, if necessary. I would hope that we have learned enough to move forward in a very professional manner.

PIPING PLOVER

Senator McClure. Thank you. There are a couple of others. One is the piping plover. The Fish and Wildlife Service was to have identified critical habitat for the piping plover by earlier this year.

What is the status of that report?

Mr. Dunkle. Could I ask the Assistant Director for Fish and Wildlife Enhancement to answer that question?

Senator McClure. Surely.

Mr. Lambertson. Senator McClure, I don't have the specifics on that. I would like to provide that for the record.

Senator McClure. If you would, please.

[The information follows:]

Piping Plover Critical Habitat

In the December 11, 1985, final rule (50 FR 50726) listing the piping plover, the Service stated that critical habitat may be determined at a later date if data became available to warrant such a determination.

Most, if not all, of the Atlantic coast beaches where piping plovers are found suffer from human and vehicular disturbance, unleashed dogs, and litter that attracts predators. Within the next year, the Service intends to propose a critical habitat designation for the plover in certain areas along the Atlantic coast. Maps of these areas are not available at this time since the Service has not yet definitely identified all areas along the Atlantic coast that would be candidates for critical habitat designation. It is likely, however, that any critical habitat proposal would include both Service (national wildlife refuges) and non-Service lands.

At this time, there is no plan to designate critical habitat in the Great Lakes or the northern Great Plains areas because of the ephemeral nature of the plover's nesting sites and because the bird's breeding and nesting habitats are spread over a large geographic area. Depending upon conditions, alluvial river islands and sandbars in rivers in the Great Plans region may not exist in the same location from one year to the next. Similarly, beach areas along the Great Lakes may or may not be used by the plover each year because of varying water levels.

CRITICAL HABITAT FOR PLOVER

Senator McClure. I would also ask, in connection with that status report, whether or not you intend to impose any moratoriums on construction, use or the disturbance of critical habitat or important plover nesting areas.

In addition to that, if you could also tell me what precautions are being taken along the Atlantic coast and the shores of States such as Wisconsin that border portions of the Great Lakes and which may be important to the survival of the plover.

Also, whether or not you have any plans or have taken any actions for ensuring that plover nesting areas will be protected this spring.

[The information follows:]

PROTECTING PLOVER NESTING AREA

The Service has closed sections of beaches on six national wildlife refuges this spring to protect important plover habitat and to increase their chances for productivity and survival. On non-Service lands, the Services does not have the authority to impose moratoriums on construction or use. The Service's region 5 staff has met repeatedly with State and other Federal agencies to seek their help and to explain the importance of protecting plovers on their nesting grounds.

Section 6 grant funding was provided to eight coastal States to enable them to better protect and monitor nesting populations of plovers. The Service provided in-house training on plover biology and habitat requirements to our ecological services field staff to help them deal with potential conflicts between plovers and threats to their habitat.

Regarding plover populations in the Great Lakes region, Michigan has imposed a closure order prohibiting trespass on all occupied nest sites on State lands. Admonitory signs have been erected and the areas are patrolled. Along the shores of Lake Superior, Michigan has added gravel to sand bars and is conducting vegetation control programs to entice piping plover nesting. Also, Michigan Department of Natural Resources has appointed a State recovery team to prepare a piping plover recovery plan.

In Wisconsin, most plover habitat is in the Duluth-Superior harbor area. Dredging spoils have been designated as bird sanctuaries and wildlife management areas, and trespass is prohibited. The spoils have been enhanced as plover nesting sites by adding gravel and controlling vegetation encroachment. These management activities have been done to improve habitat as well as to entice plovers to move from areas that are heavily used by man.

EASTERN RED WOLF

Senator McCLURE. What's the status of the eastern red wolf recovery effort?

Mr. DUNKLE. That's coming right along, Senator, and I would ask Mr. Pulliam, the regional director who was there and helped the thing happen, to maybe give you a status report on that.

Senator McCLURE. OK.

Mr. PULLIAM. We have four pairs of red wolves in captivity at Alligator River Refuge in North Carolina. The plans are to release those into the wild in late May or early June. They will be radio-collared, and will be monitored.

Senator McCLURE. No releases have been made as yet?

Mr. PULLIAM. No; we will have some in May or June.

Senator McCLURE. May or June?

Mr. PULLIAM. Yes.

Senator McCLURE. All right. Thank you very much.

Mr. DUNKLE. Senator, I hate to admit this, but I misspoke, and I should correct it for the record. We haven't done good things for the crocodile yet.

Senator McClure. Well, I hate to tell you this, and I didn't note it for the record, but I noticed some shaking heads behind you when you said that. [Laughter.]

Mr. Dunkle. Yes; I felt it. I thought just so you know that I do have eyes in the back of my head, and they do, I realized I'd made a terrible error.

Senator McClure. Well, I knew that the record was going to get corrected one way or the other. [Laughter.]

ADDITIONAL COMMITTEE QUESTIONS

There may be some other questions that will be submitted in writing for response to the record. I would urge that those answers be in as quickly as possible to aid us in our deliberations.

I thank all the witnesses who testified today. I very much appreciate your appearance.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Sport Fish Restoration Transfer

Question: Mr. Horn, I would like to put the first few questions to you. I note that the budget proposes to transfer $25 million collected under the provisions of the Federal Aid in Fish Restoration Act, as amended by the Wallop-Breaux amendments to be used for basic operation and management of the Service's programs. Was this your proposal, Mr. Horn, or was this another OMB initiative?

Answer: The proposal to transfer $25 million from the Sport Fish Restoration Account to the Resource Management Appropriation was negotiated between the Department and OMB.

Question: This proposed transfer is justified on the basis that "The estimated (funds available) are expected to be nearly $33 million more than the amount available in 1987. The increase exceeds the level of funding originally anticipated for the Sport Fish Restoration Program of $130 - $140 million" (P. 241). Why should we propose to deprive the States of $25 million because funds are being generated faster than originally expected?

Answer: During this period of fiscal constraint, when other programs are being proposed for reduction or no increase, a $33 million increase in the Sport Fish Restoration Account seems excessive. The proposed one-time transfer of $25 million from this account to the Service's primary operating account, Resource Management, would still provide for an estimated $8 million increase in sport fish grants in FY 1988. The Administration beleives this was an appropriate balance between program growth and fiscal responsibility.

Question: I am sure that you know that the receipts that we are discussing are not general tax revenues but specific taxes levied at the request of sportsmen and fishermen on themselves. The government in this instance is merely a trustee, or an administrator, of funds collected through excise taxes on fishing equipment, through gasoline taxes paid by users of motorboat, and through certain import duties.

It seems to me that proposing to divert these funds is a violation of a basic trust agreement between the government and its people. It is one thing to say that because of a change in circumstances, we will shift a little money from here to there. It seems to me to be another altogether, however, when we propose to take dedicated revenues, collected from a special group of citizens and taxpayers with their permission, and propose to divert those funds to another purpose. Wouldn't you agree with that Mr. Horn?

Answer: Though I agree that the proposal is departure from the provisions of the Wallop-Breaux amendment, the needs for control of Federal spending and deficit reduction require innovative approaches.

Question: I agree wholeheartedly with the concern about the deficit and the need for reducing Federal expenditures. I am also on the Budget Committee and I know how severe the fiscal situation is. But I don't want you to think that my only interest in this issue is a philosophical one. I understand that Louisiana will lose $410,903 in 1988 if this transfer is agreed to. Other States represented on the subcommittee that will also lose money include West Virginia (-$250,000); Idaho (-$435,097); Hawaii (-$250,000); South Carolina (-$285,382); Alaska (-$1,250,000); Nevada (-$391,927); Oklahoma (-$483,244).

What projects would go unfunded in Louisiana as a result of the transfer?

Answer: The States have wide latitude to select the activities within their total sport fishery program which is funded under the Sport Fish Restoration program. At any given funding level, the States would attempt to meet their highest priority program needs. Since the Fish and Wildlife Service is not a party to the selection of Louisiana's sport fish restoration priorities, there is no basis for the Service to determine those activities which would not be funded.

Question: I understand that all State projects have to be consistent with the Service's Federal Aid Manual, and have to be specifically tied to the fisheries resource. Is there any doubt that the States have sufficient projects under consideration that they would be able to use all funds that are due them, and that all funded projects will be high priority projects?

Answer: It is likely that the States have under current consideration or could develop projects to fully use all the funds available to them. As a part of the project review process by the Fish and Wildlife Service, each project proposed for grant funding would be reviewed to assure that it proposes eligible work and meets standards for approval.

Question: I am told that there is substantial uncertainty concerning the amount projected to be raised for the Sport Fish Restoration Program. Some groups feel that the 1988 revenues will actually be in the $120-$130 million range, rather than in the range of $170 million as estimated by the Administration. Could you briefly explain the basis for this disagreement and provide, for the record, a detailed explanation of the estimates submitted by the Administration?

Answer: The actual deposits in the Sport Fish Restoration Account for fiscal years 1986 and 1987 and the estimate for FY 1988 is provided below:

	(In Millions)		
	Actual 1986	Actual 1987	Estimate 1988
Excise Taxes:			
Fishing Equipment	43.8	65.7	64.0
Trolling Motors & Fishfinders	1.6	2.3	2.0
Motorboat Fuels	50.4	28.2	59.0
Prior Year Receipts	N/A	N/A	11.0
Import Duties	22.5	31.3	20.0
Interest on Investments	3.9	13.5	18.0
Total	122.2	141.0	174.0

The estimate for FY 1988 is based on projections provided by the Treasury Department, and incorporates the following assumptions:

The increase in motorboat fuels taxes is a result of the revision in the percent used by the Treasury Department in transferring gasoline tax receipts from the Highway Trust Fund to the Aquatic Resources Trust Fund. Prior to FY 1987, the estimated percent of gasoline taxes collected on fuels used in motorboats was .75%. In FY 1987, this percentage was increased to 1.08%.

The Treasury Department estimates $104 million in motorboat fuels taxes. Assuming $45 million is deposited in the Boating Safety Account, the remaining (approx. $59 million) will be deposited in the Sport Fish Restoration Account.

The adjustment for prior year receipts is from previously unreported excise taxes on sales of fishing equipment prior to creation of the Wallop-Breaux Trust Fund in FY 1985. These funds will be deposited in FY 1987 for availability in FY 1988, and represent a one-time occurrence.

The decrease in import duties is because the $31.3 amount for FY 1987 included an adjustment from the prior year.

Interest on investments is the best Service estimate of interest earned (as agreed upon in consultation with the Department and OMB) on Treasury Bills purchased by funds from the Sport Fish Restoration Account. The estimates assume about $300 million in Treasury Bills will earn about 6 percent.

Estimates prepared by other individuals or groups are not available to us for comparison.

Question: According to the budget, you are proposing to retain $3,530,000 from the amounts distributed to the States, to be available for later distribution to special projects that will provide direct benefit to the States. I am told that any money not eventually allocated for such projects will be included in the apportionment for the States. Have you selected these projects as of yet? If not, when do you anticipate doing so?

Answer: The special projects for funding in fiscal year 1988 have not yet been selected. Under current procedures, these projects will be selected early in the fiscal year after consultation with the States.

Question: Why was this procedure proposed this year?

Answer: The procedure for including this amount in the budget was initiated with this budget cycle to provide additional information to Congress. In the past, only the estimates for continuing special projects were included in the budget justification, without recognizing that funds could be available for other projects which will benefit the States.

Refuge Operations and Management

Question: FY 1988 funding for the Refuge System is proposed at a level of $96,189,000, a decrease of $15,510,000 (or -17%) from the 1988 base funding level. The largest part of the decrease (-$14,334,000) is a reduction proposed for the Accelerated Refuge Maintenance Management (ARMM) program. Has the Service completely eliminated its backlog of refuge maintenance and rehabilitation projects?

Answer: The Service has completed its highest priority maintenance projects and the remaining projects are of lower priority and can be deferred.

Accelerated Refuge Maintenance Management Reduction

Question: Mr. Dunkle, I am told that the proposed ARMM funding decrease leaves about $3,226,000 in 1988 for maintenance needs. I am also told that one basis for the proposed reduction in ARMM funding is that "The most serious needs have been met" (P.79). Is that right?

Answer: A total of $67 million in ARMM funds has been appropriated in the last four years to allow completion of the most seriously needed maintenance projects. Remaining projects are of lower priority and can be deferred. The total for maintenance in FY 1988 for the National Wildlife Refuge System is $17,568,000, of which $3,226,000 is designated as ARMM funding.

Dike Work

Question: Is dike work an eligible ARMM project?

Answer: Yes, maintenance and repairs to existing dikes are eligible ARMM projects. Those which require several years to complete or new dikes are funded with construction appropriations.

Question: Are ARMM projects funded on either of the Sabine or Lacassine refuges this year?

Answer: Yes, Sabine NWR received $60,000 this year to replace an oil paint storage building and is scheduled for $80,000 in FY 1988 to rehabilitate the shop/garage building. Additionally, special FY 1987 funds were made available at Sabine to install public information displays in the office/visitor center ($125,000), make improvements to the headquarters and wildlife trail for the 50th birthday ($40,000), correct a road safety hazard ($28,000), rehabilitate a barge used for dike repairs ($35,000), and conduct a marsh vegetation study ($20,000). Lacassine was provided special FY 1987 funds to replace an outboard motor ($4,000), upgrade mowing equipment ($14,000), rehabilitate the headquarters for the 50th birthday ($50,000), control exotic tallow trees ($50,000), and begin constructing a subimpoundment dike within the Lacassine pool ($15,000).

Question: I also understand that all of the older Louisiana refuges could use additional operation and maintenance funding. Are you aware of those needs?

Answer: Yes, there are several operation and maintenance funding needs at the older refuges in Louisiana, however, they are of lower priority and can be deferred.

Question: Would you provide a complete list of needs for the record?

Answer: Major operation and maintenance funding requirements for established National Wildlife Refuges in Louisiana are as follows:

Refuge	Purpose	$/FTE Requirements
D'Arbonne	Increase Operations maintenance	50,000/2
	Equipment replacement	250,000
Delta	Equipment replacement	175,000
Catahoula	Increase operation/ maintenance	50,000/2
	Equipment Replacement	200,000
	Crossdike and pumps for Duck Lake	150,000
Lacassine	Increase operations/ maintenance	75,000/3
	Equipment replacement	150,000
	Construct Crossdikes in Lacassine Pool	200,000
Sabine	Increase operations/ maintenance	50,000/2
	Equipment Replacement	200,000
Tensas River	Increase operations/ maintenance	50,000/2
	Equipment Replacement	250,000
Upper Ouachita	Construct public access roads	200,000
	Construct greentree reservoirs	100,000

The President's FY 1988 budget, however, reflects the highest priority needs at these refuges. All others, non health and safety, can be deferred until the Federal deficit is further reduced.

Entrance Fees

Question: The Service's justification states that "revenues derived from refuge entrance fees will defray maintenance costs sufficiently to allow the redirection" of

ARMM money to other activities. How much do you currently estimate to be raised by fees in 1987 and 1988 and where will the money go, by refuge?

Answer: As the Service has become acquainted with start up costs of the entrance fee program, it has become clear that initial receipts will be absorbed by the first priority for allocation--paying for the costs of collection. The second priority will be assistance for operation and maintenance on the collecting refuges. Because this is a new program, it has not been determined when funds will be available for this second priority.

Question: Will any of the fee receipts money go to projects that would otherwise be eligible for ARMM funding, either on the refuges where collected or on other refuges?

Answer: The Emergency Wetlands Resources Act of 1986 provides a priority system for allocating entrance fee receipts: first, pay for costs of collection on the collecting refuges; second, assist operation and maintenance of the collecting refuges; third, assist operation and maintenance of other refuges. These receipts will support general operation and maintenance work, including operation of high quality public use facilities. The Act does not specifically address support for ARMM projects.

Question: Does the fee proposal currently anticipate any refuge entrance fees in Louisiana? If so, which ones?

Answer: No, Louisiana refuges are anticipated to be among the initial group of refuges initiating the Service's fee collection program.

Question: I don't plan to dwell on the fee issue, but I want to be sure that the committee will have an opportunity to review your proposals before they are final. Will you be able to consult with us on that issue, Mr. Horn?

Answer: Yes. A proposed rule on entrance fee collection in the National Wildlife Refuge System was published in the Federal Register on May 11, 1987, and the comment period remains open until June 25, 1987.

Question: When do you anticipate being in a position to provide the committee a list of refuge fee proposals?

Answer: The committee was provided briefing materials on the refuge entrance fee proposals on May 15, 1987.

Bayou Sauvage

Question: Mr. Dunkle, I also note that no money is specifically earmarked for management of the new Bayou Sauvage NWR. Don't you normally request money to begin planning and staffing newly created refuges?

Answer: Yes, we normally make budget requests for substantial master planning efforts such as the recently authorized Bayou Sauvage refuge. The Service is currently considering a reprogramming request of appropriated construction funds to fund this effort.

Question: How much will it take to have the master plan complete within 2 years, as specified by the authorizing legislation?

Answer: We anticipate that the complexity of properly managing Bayou Sauvage refuge will necessitate that a thorough EIS/master plan be developed. Due to the highly complicated situation involving levees, impacts of future marsh management plans, proposed residential development around the refuge and public interest, refuge planners must interact with a multiplicity of Federal, State and local agencies as well as civic and conservation groups. To produce a creditable product may require approximately $1.2 million. We do not think the master plan can be completed by November 10, 1988, as specified in the authorizing legislation. Because of contractual needs, it may require a 1-year extension to produce the desired product.

Question: How much have you taken from other sources to begin planning?

Answer: To date, we have allocated $70,000 and one FTE to initiate the master planning effort to Bayou Sauvage refuge.

Question: What were the other sources?

Answer: ARMM funding for lower priority projects was utilized to implement this master planning initiative.

Question: Can I have your commitment that the plan will be complete on time?

Answer: Every effort will be made to accelerate completion of the plan. However, time-lags are associated with contracted services in order to meet federal procurement requirements. We began working on this project immediately following the passage of the Emergency Wetlands Act of 1986 and anticipate award of a contract to begin the

EIS/master plan by the end of FY 1987. Due to the complexity of the plan and the many public meetings that must be held to ensure compliance with the NEPA, we anticipate it may take the contractor up to 2 years (an extension of 1 year past the due date) to produce the desired product.

Question: Beyond the basic money for planning, will it also require additional funding for equipment, and a dike and canal system?

Answer: The Service has not acquired any of the Bayou Sauvage refuge lands to date. Once we have a land base to manage, we believe that additional funding will be needed for such purposes as equipment purchases and rentals as well as dike and canal maintenance and renovation.

Question: Does the Service contemplate constructing a visitor center and/or administrative center at Bayou Sauvage?

Answer: The master planning process will identify whether separate or combined facilities will best serve our needs as well as best location and space requirements to meet projected public use demands, or in fact, whether one is needed at all. As planning has not been completed, overall Service construction priorities have not been established. We envision that this refuge could experience one of the heaviest visitation loads in the nation.

Question: How much will that cost?

Answer: Until the EIS/master plan is completed, it is not possible to give an accurate figure. Recent office/visitor centers have cost about $1.5 million when both are housed in the same building. If the master planning process identifies the need for a center, construction costs at Bayou Sauvage could be 3 or 4 times the amount stated above by the time we are ready to begin construction. The center will be considered in future Service budgets when the timing is appropriate.

Question: I understand that some consideration is being given to combining the construction project funded at Bogue Chitto NWR with the facility needs at Bayou Sauvage. What is the current status of this review?

Answer: The review has been completed by the Atlanta Regional Office and their recommendations are currently being assessed in the Washington Office. Depending on our decision, a request may be forthcoming to reprogram appropriated construction funding to prepare the EIS/master plan at Bayou Sauvage refuge.

Question: Can I have your commitment that you will request sufficient funding to meet the terms and conditions of the authorizing legislation?

Answer: We will make every effort to request the needed funding to meet terms and conditions of the authorizing legislation. However, a 1-year extension will be needed for the master plan since the 2-year time constraint cannot reasonably be resolved simply be providing funding.

Refuge Operations and Maintenance

Question: Unlike the National Park Service, the Fish and Wildlife Service has no specific budget allocation for its volunteer program. Nonetheless, a successful volunteer program at the Service is used to complement ongoing programs. In fact, in FY 1986 it is estimated that 9,000 volunteers contributed 388 staff years worth approximately $5.6 million ($14,432 per staff year). This was done at an estimated cost of $100,000.

Your volunteer program is not as successful as the Park Services's which estimates that in FY 1986 39,000 volunteers contributed 800 workyears worth approximately $16 million ($20,000 per workyear) at a cost of $500,000.

Do you feel a seperate line item in your budget would improve your volunteer effort or is the Service currently maximizing its potential in this area?

Answer: It is somewhat misleading to directly compare the success of programs of the Fish and Wildlife Service and the National Park Service on the basis of the dollar estimates presented because the two agencies used different methods to calculate values for contributed time. Fish and Wildlife Service estimates for the value of each contributed work year averaged approximately 30% below National Park Service estimates. The Fish and Wildlife Service's volunteer program is comparatively more efficient from the standpoint of lower agency costs per volunteer and per work year contributed. In addition, the average number of hours contributed by the individual Fish and Wildlife Service volunteer is significantly greater than is the case in the National Park Service.

The Fish and Wildlife Service's volunteer program has grown substantially since it was initiated in 1982. Project leaders on Service field stations are actively encouraged to initiate or expand their volunteer programs, for the benefit of the Service and the volunteers that participate. The emphasis is placed on development of a high quality program that does not exceed our capability to manage it effectively and that contributes substantially more than it costs to implement, We do not feel that a seperate line item in the budget would necessarily improve the quality of our volunteer program. As our volunteers are used to compliment the work of Service staff on our field stations, it is entirely appropriate to support the program from within the Resource Management funding base.

Contaminant Monitoring Program

Question: A long-term contaminant monitoring program on refuges is under development in cooperation with the Idaho National Engineering Laboratory (INEL). This monitoring network will establish a mechanism for early detection and trend evaluation of contaminants that may threaten fish and wildlife resources. It is the intent of the Service to test this plan on several refuges in FY 1988. How far along is the program in FY 1987?

Answer: An interagency agreement has been developed by the Service and the INEL staff. The agreement was signed by the Service and Department of Energy on April 21, 1987. The agreement contains two tasks: 1) develop and assist in implementing the Refuge Contaminant Monitoring Program; and 2) develop protocols for an intergrated National Contaminant Monitoring Program. Meetings were held the week of June 8 to negotiate final products and delivery dates. We have agreed upon a research plan and will submit it to the Appropriations Committees prior to implementation as requested.

Question: What are your FY 1988 plans for this work and what will be INEL's role?

Answer: Proposed protocols for the refuge monitoring will be field tested during FY 1988. Additional discussions concerning training materials and assistance for implementation will be negotiated later this fiscal year. Task 1, has a 3-year schedule; Task 2, will be completed in 2 years. Funding for both tasks will be obligated from FY 1987 funds. Any further investigations extending the concepts developed in Task 2 would be evaluated next year. The Service would use the FY 1988 funds included in its budget request for increasing the efforts in the other studies included in the integrated ecological effects category and incorporating the recommendations of INEL.

FTE Reduction in Refuge System

Question: For the past two years, Congress has been concerned about the staffing of the refuge operations and maintenance. Funds were added in FY 1985, FY 1986, and FY 1987 to restore FTEs in the Refuge System. The FY 1988 budget indicates that the Service is again attempting to add the necessary 108 FTEs above the President's FY 1987 budget for the Refuge System. At the same time, however, the FY 1988 budget is proposing to decrease FTEs in the Refuge System by 110. We are halfway through FY 1987. Will you be able to comply with FY 1987 directive?

Answer: The FY 1987 FTE level of 2,164 FTEs is being implemented. This level provides a total of 108 FTEs above the President's 1987 request and devotes FTEs to the following functions: 7 FTEs for contaminants, 10 FTEs for operations in Alaska, 50 FTEs for maintenance and 41 FTEs for operations.

Question: What is the status of the FTE report Congress requested in the FY 1987 Congressional Report?

Answer: The Committee has been provided a final report.

Accelerated Refuge Maintenance Management (ARMM)

Question: In FY 1984, the Accelerated Refuge Maintenance Management (ARMM) program was initiated to enable the Service to make significant progress toward meeting its maintenance needs. Proposed FY 1988 funding for this program is $3.2 million. This is a decrease from the FY 1987 level of $17.6 million and FY 1986 level of $17.8 million. The original program goal was to fully fund annual maintenance requirements which were estimated at $50 million a year. Why do you now feel this project is becoming complete?

Answer: In the four years since the inception of the ARMM program, total funding in excess of $67 million has been provided. These funds have allowed completion of the most serious maintenance problems. A reduction in a funding will defer only lower priority projects without adversely affecting refuge resources.

Question: What was the request the Agency made to the Department? The Department to OMB?

Answer: The Service requested an ARMM budget of $8.76 million from the Department and $7.56 million from OMB.

Water Rights

Question: You have proposed a decrease of $142,000 in your Water Rights activities in 17 western States. These funds were used in the past to monitor water use by field stations to ensure compliance with State laws and for adjudication. In FY 1987, how was the $317,000 split between adjudication and quantification?

Answer: It is estimated that approximately 85 percent is being used for adjudication and the remaining 15 percent for quantification work.

Question: In FY 1988, how will you split the remaining $175,000 between quantification and adjudication?

Answer: An estimated 10 percent of the funds would be used for quantification and 90 percent would be for adjudication.

Forensics Lab

Question: Since the forensics lab will not be completed until late in FY 1988, you have not requested funds for initial lab furnishings and equipment in the FY 1988 budget. How late in FY 1988 will the lab be completed?

Answer: Construction is expected to begin during August of 1987 and be completed approximately a year later.

Question: What are the anticipated annual operating costs for the lab?

Answer: The Service estimates that salary and operating expenses for the lab will cost approximately $1.5 million per year.

Dingell-Johnson Trust Fund Transfer

	FY 87	FY 88	FY 88 Budget
D-J Payments to States	$135 m	$165 m	$140 m

Question: The Dingell-Johnson trust fund has grown from $38 million in FY 1985 to an estimated $165 million in FY 1988. As part of the Service's FY 1988 budget, the Administration has proposed to transfer $25 million from the fund to the Resource Management account. This proposed transfer is justified by the Administration because the trust fund has grown faster than originally expected. In fact, if this proposal is adopted by Congress, States will still receive $8 million more in FY 1988 than they did in FY 1987. Have States indicated to you that they will not be able to spend the FY 1988 estimate of $165 million?

Answer: The States have not indicated an inability to use the total projected available funding.

Question: Could you provide for the record a State by State breakdown on the impact of this decrease?

Answer: The information requested is provided below:

IMPACT OF $25 MILLION TRANSFER ON
APPORTIONMENTS TO STATES FOR
FEDERAL AID IN SPORT FISH RESTORATION

STATE	REDUCTION
Alabama	422,339
Alaska	1,250,000
Arizona	544,342
Arkansas	420,468
California	1,250,000
Colorado	617,972
Connecticut	250,000
Delaware	250,000
Florida	557,960
Georgia	504,010
Hawaii	250,000
Idaho	435,097
Illinois	566,728
Indiana	398,373
Iowa	366,544
Kansas	365,345
Kentucky	398,747
Louisiana	410,903
Maine	250,000
Maryland	250,000
Massachusetts	250,000
Michigan	915,985
Minnesota	919,361
Mississippi	350,864
Missouri	637,595
Montana	561,757
Nebraska	319,490
Nevada	391,927
New Hamsphire	250,000
New Jersey	250,000
New Mexico	451,418
New York	617,855
North Carolina	361,643
North Dakota	273,558

STATE	REDUCTION
Ohio	667,648
Oklahoma	483,244
Oregon	585,220
Pennsylvania	601,330
Rhode Island	250,000
South Carolina	285,382
South Dakota	296,443
Tennessee	464,765
Texas	1,250,000
Utah	416,415
Vermont	250,000
Virginia	377,072
Washington	573,453
West Virginia	250,000
Wisconsin	885,755
Wyoming	386,327
Puerto Rico	250,000
Guam	83,333
Virgin Islands	83,333
American Samoa	83,333
N. Mariana Islands	83,333
District of Columbia	83,333
Total	25,000,000

Question: What are your FY 1987 administrative expenses? FY 1988 administrative expenses without the proposed transfer? FY 1988 administrative expense with the transfer?

Answer: The estimated FY 1987 administrative expenses are $7.3 million. About $4.7 million is for program administration and the remaining $2.8 million is for special projects. In fiscal year 1988, the estimated cost for program administration is about the same level of $4.7 million. An additional $0.8 million is estimated for continuation of special projects. The proposed transfer of $25 million is not expected to impact the fiscal year 1988 administrative expenses.

Question: How have your estimates of receipts compared to actual receipts?

Answer: The first year that expanded Sport Fish Restoration funds became available to the Department at the time for the expanded revenue base, the estimated amount to become available was $104 million. Actual revenue was $122 million. In fiscal year 1987, the estimate was $161 million; however, actual receipts were $141 million.

FWS/BLM/Potlatch Land Exchanges

Question: Earlier this year, the Department was proceeding with a land exchange between the Bureau of Land Management (BLM), the Fish and Wildlife Service (FWS) and the Potlatch Corporation. Since discussions were very preliminary I do not know the complete terms of the deal but it was my understanding that the Service was attempting to acquire 40,000 acres of Potlatch land in Arkansas in exchange for 10,000 acres of BLM land for Potlatch in North Idaho. What is the status of this exchange?

Answer: The proposed exchange with the Potlatch Corporation remains at a preliminary stage. The Fish and Wildlife Service has had initial discussions with Potlatch and the Bureau of Land Management. As a result, Potlatch has asked for time to review the public domain lands in Idaho. This review is ongoing at the present time and should be completed by June 1, 1987. After that date, the feasibility and approximate size of the exchange will be more fully explored.

Hagerman Field Station

Question: In August of 1987, the Service is scheduled to complete major construction/rehabilitation of the Hagerman Field Station. This work will expand the existing office and replace the wet laboratory in order to conduct research on physiological and nutritional requirements of rainbow trout and Pacific salmon. It is my understanding that there is $225,000 in the FY 1988 budget for the operation of this facility. Will this amount be adequate to effectively utilize this newly renovated facility? If not, how much is necessary?

Answer: The request in the President's budget is sufficient to conduct the highest priority work, making the current funding level of $225,000 adequate to utilize the newly renovated facility. This level is satisfactory to begin investigating the physiological and nutritional requirements of rainbow trout and Pacific salmon.

Question: If Congress adds these funds, what additional work will the field station perform?

Answer: If Congress added the $330,000, additional research would include:

1. Studies on the effect of computer-assisted least-cost feed formulations on growth rate and conversion efficiency of rainbow trout and Pacific salmon.

2. Studies on optimum feeding levels at different water temperatures for rainbow trout and Pacific salmon.

3. Studies on nutritional diseases of chinook salmon.

4. Studies on the effects of water chemistry on the dietary nutritional requirements of Lower Snake River salmonid fishes.

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON, JR.

Bayou Sauvage National Wildlife Refuge Land Acquisition

Question: Do we have approved appraisals yet?

Answer: The need for Service appraisals depends upon the outcome of negotiations between the Nature Conservancy and the landowner.

Question: Do we have final decisions as yet on exact acreage and plat maps?

Answer: No final decisions have been made as to exact acreages and plat maps. Negotiations are ongoing between Merrill Lynch and The Nature Conservancy. Tentatively, 18,500 acres could be acquired from Merrill Lynch through the Conservancy and 830 acres from other owners within the refuge boundary.

Questions: Is there anything I can do to accelerate this project?

Answer: We thank you for your ongoing support and look forward to working with you on the acquisition of land for this Refuge.

Question: Have the funds that were proposed for rescission and which expired on March 16, been released yet?

Answer: Yes. They were made available to the Service for obligation on March 19, 1987.

Question: Mr. Horn, I expect that you and Mr. Dunkle are aware that Louisiana supports about 40 percent of the important coastal wetlands in the lower 48 states. I am told that these Louisiana wetlands are being lost at a rate of about 50 square miles per year, and that this is one reason behind the creation of the State-Federal Coastal Protection Task Force. What is the current status of the Department's commitment to the Task Force?

Answer: The Louisiana State-Federal Coastal Protection Task Force was originally authorized as a state task force through legislation passed by the State of Louisiana. The Secretary of Interior has offered Federal expertise to assist in the State's endeavor to save the wetlands. However, no financial commitment on the part of the Fish and Wildlife Service has been made towards any project reviewed by this Task Force. The Department of the Interior is committed to working closely with the various agencies comprising the Louisiana State-Federal Coastal Task Force to help ensure that the Louisiana coastal wetlands problem is addressed in a coordinated manner. The first meeting of that Task Force was in Baton Rouge, Louisiana, on April 16, 1987. Department of the Interior agencies that are represented on the Task Force include the Fish and Wildlife Service, the Minerals Management Service, and U.S. Geological Survey. At the April 16 meeting, the participating agencies expressed their support for several authorized or proposed Corps of Engineers projects involving diversion of Mississippi River flows to reduce wetland loss in coastal Louisiana. A draft version of that plan is to be completed in approximately 6 to 9 months by a consultant under contract to the Louisiana Geological Survey. The Task Force will review that plan and recommend any needed modifications before it is finalized. We are hopeful that the final plan will serve to clarify specific actions needed to reduce the rapid loss of Louisiana's coastal wetlands. The Department shares your concern over the rapid loss of Louisiana's coastal wetlands, and therefore, welcomes the opportunity to make its technical expertise available to the Louisiana State-Federal Coastal Task Force.

Question: Are funds specifically included in the 1988 budget to support this effort? What percent of Louisiana's wetlands have been mapped through the Service's National Wetlands Inventory? Is it greater or less than the National average of about 51 percent?

Answer: Funds are not included in the 1988 budget to support Service participation in the Louisiana State/Federal Coastal Task Force. Specific study needs will not be known until after completion of the draft comprehensive plan now scheduled for completion under contract in mid FY 1988. The

Service's specific budgetary priorities for future actions to be taken can be addressed at that time.

Louisiana wetlands have been a high priority for the National Wetlands Inventory. As a result, 85 percent of the State has been mapped which is well ahead of the National average.

West Virginia Wetlands

Question: I know that Senator Byrd wanted to be here today, but was unable to make the necessary arrangements. I will ask this question on his behalf. I understand that only a few of West Virginia's wetlands have been mapped. What would it cost to complete wetland mapping in West Virginia in Fiscal 1988?

Answer: The Service estimates that West Virginia wetland mapping would cost about $260,000.

Question: Is it feasible to try to complete the project in one year?

Answer: This work could not be done in one year. Collecting and maintaining the high quality of inventory data that has been produced to date, will take 2-3 years because of the necessary field work, production of draft maps, detailed interagency reviews of draft maps and final map production.

National Wetland Inventory

Question: I note that the Wetlands Inventory is being proposed for a slight reduction (of $38,000, or less than 1%) in 1988. Shouldn't we be accelerating this basic data gathering and distributing effort this year, instead of getting mired down at one funding level?

Answer: The proposed existing funding level will allow the Service to meet the requirements of the Emergency Wetlands Resources Act of 1986 (PL 99-645), which are to:

1. complete top priority areas by September 30, 1988;
2. update the Wetlands Status and Trends Report by September 30, 1990;
3. complete wetland mapping of the contiguous United States by September 30, 1998; and
4. initiate in 1999 the completion of the remaining 64 percent of Alaska.

HEP Reduction

Question: The Habitat Evaluation Procedures and Technical Assistance Program is being proposed for a reduction of $400,000 in 1988. Will any of this reduction affect the Slidell, Louisiana, National Wetlands Research Center?

Answer: The National Wetlands Research Center (NWRC) will absorb $226,000 of the proposed $400,000 reduction? Capabilities for technical assistance on Habitat Evaluation Procedures (HEP) and coastal habitat model development and validation will be eliminated ($126,000 and three FTEs). Additionally, $100,000 and two FTEs supporting community and habitat succession modeling for public works projects in coastal Louisiana will be eliminated.

Question: How many jobs will be lost as a result?

Answer: This reduction will eliminate five FTEs.

Habitat Evaluation Procedures

Question: The justification states that the ongoing work will be absorbed at other locations. Does this mean that the work is valuable work?

Answer: The Habitat Evaluation Procedures (HEP) work is valuable.

Question: Will the current objectives be maintained wherever the work ends up, or will the objectives change?

Answer: The current objectives will be maintained, except the development of new Habitat Suitability Index (HSI) models will be stopped. Most development activities on the Service's standard Habitat Evaluation Procedures (HEP) were completed in FY 1986. FY 1987 is a year of transition, with some responsibilities for operational assistance for HEP shifting from Research and Development (R&D) to the other Regions. Continued R&D activities on HEP will focus on (1) Habitat Management Evaluation Modeling (HMEM), (2) field testing and validating HSI Models, and (3) Community Modeling. HMEM will facilitate the development and identify the least expensive habitat management prescription to attain identified species carrying capacity. HMEM requires validated HSI models. Other R&D activities related to HEP in FY 1988 include technical assistance; maintenance of the HEP training, software and model reference library; and completion of partially done models.

Question: Shouldn't we just restore the money and maintain this project, rather than shifting the workload all over the country?

Answer: The money identified for reduction should not be restored. Research on HEP is being phased down because the procedure is being transferred to operational status.

The Farm Bill

Question: The Budget Justification states that the Service (p.59) distributed 110,000 wetland maps in 1986, a record number. Is the 1987 rate up or down?

Answer: Currently the rate is about the same. Part of the 110,000 wetland maps distributed in 1986 were the direct result of increased cooperative efforts between the Fish and Wildlife Service and the Soil Conservation Service (SCS) in the implementation of the "Swampbuster" provision of the Food Security Act of 1985 (Farm Bill). The Service sent copies of all the wetlands maps that were available to county SCS offices, pushing the map distribution number up in 1986. Agricultural Stabilization and Conservation Service (ASCS) may request the same type of distribution this year. If this happens, the record of 110,000 copies distributed in 1986 will be exceeded this year.

Question: The record number of maps being distributed is a result of the interest in the "Swampbuster" provisions of the Farm Bill, and in the Emergency Wetlands Bill. If the rate of distribution continues, will the Service have enough money to meet that need and continue to generate new data at the same time?

Answer: Although demand for wetland maps as a result of the Farm Bill and the Emergency Wetland Resources Act is anticipated to remain high, more and more of the map distribution is being handled through a cost reimbursable agreement with the U.S. Geological Survey. The public can now call a toll free number (1-800-USA-MAPS) to obtain map ordering information. We have also established 19 State run distribution centers for the National Wetlands Inventory maps. Although we expect map distribution to continue to increase, we do not expect that this will adversely impact the National Wetlands Inventory budget or its ability to generate new wetlands maps.

Question: What are some of the other impacts of the Farm Bill on the Service? For example, the Service is expected to provide technical assistance to implement Section 2131 (relating to the Conservation Reserve Program);

Section 1234 (relating to the management prescriptions on land adjacent to streams); Section 1222 (relating to the prohibition of paying subsidies to farmers who convert wetlands to commodity production); Section 1314 (relating to FmHA inventory lands); and Section 1318 (relating to the selection of lands that USDA may acquire for wildlife related conservation easements).

Answer: The Farm Bill includes provisions of significant importance to the Nation's fish and wildlife. These provisions offer opportunities to conserve and restore many thousands of acres of upland and wetland habitat for the benefit of migratory birds, fishery resources, and threatened and endangered species. The Bill also has the potential for making significant contributions to the goals established in the North American Waterfowl Management Plan.

Through the Farmers Home Administration's (FmHA) Conservation Easement and Land Inventory Disposal Programs, the Service is provided the opportunity to implement wetland and associated habitat restoration projects. These projects would be located on FmHA properties made available at no cost to the Service.

The FmHA Inventory Disposal Process presently provides the Service with the opportunity to screen inventory lands for wetlands and to formulate and in some cases, implement wetland restoration/enhancement projects. The Service will also assist FmHA by serving as a technical consultant in the processing of easement requests in response to section 1314. These efforts will be initiated during the last quarter of this year.

The Conservation Easement Program (section 1318) will most likely be initiated later this year. The Service will provide FmHA with assistance in the selection of lands, formulation of terms and conditions, and with enforcement. In some instances the Service may determine that easement areas should be managed by the Service. In most instances the Service will assist FmHA in the location of interested management entities. An as yet unknown number of easement tracts could have the potential for implementation of wetland restoration projects.

The "Swampbuster" provision provides the Service with the opportunity to participate in the identification of wetlands, the review of exemption requests, and the issuance of regulations. The anticipated heavy workload potentially associated with on-site wetland identification efforts has not materialized. The Soil Conservation Service, through use of National Wetlands Inventory maps and soil maps, is essentially performing this task. The number of exemption requests has been small. Work on the regulations has been handled primarily by Washington Office personnel.

Through the Conservation Reserve Program (CRP), the Service has the opportunity to provide field level input to revegetation plans. The Service also has the opportunity, through supplemental payments to CRP participants, to secure additional land treatment improvements of benefit to wildlife at a minimal cost. Service field personnel, particularly in the Prairie Pothole Region, are seeking to influence revegetation plans to the benefit of nesting waterfowl. This is accomplished by providing generic revegetation criteria to appropriate Soil Conservation Service personnel. Approximately $300,000 has been expended on "piggyback" leases, involving 60,000 acres of CRP lands, in order to secure additional wildlife specific land treatment improvements.

Opportunities relating to Service input to management prescriptions on land adjacent to streams are minimal at present. This discretionary authority has not been implemented by the Department of Agriculture.

Question: Are any additional funds included in the 1988 budget to pay for these additional duties?

Answer: The President's budget for FY 1988 identifies Farm Bill activities as an important work item to be funded through base funds in the Fish and Wildlife Enhancement and Refuges and Wildlife activities. Approximately $1.55 million will be allocated to Farm Bill work in FY 1988 from these sources.

Question: Are any increases in staffing included? If not, how do you intend to accomplish the responsibilities provided by Congress?

Answer: No additional staffing is included. The Service will utilize existing personnel to take advantage of important fish and wildlife opportunities afforded by the Farm Bill. Traditional Ecological Services activities relative to baseline evaluations and resource category determinations, transmission corridor investigations and transportation project investigations, Forest Service and BLM grazing/range management planning, and sections 201 and 303 Clean Water Act actions can be redirected to higher priority wetland protection and restoration/enhancement opportunities now available under the Farm Bill.

North American Waterfowl Management Plan

Question: Another issue that should be driving the Service's budget request is the recently signed North American Waterfowl Management Plan. A joint US-Canadian effort to improve the management of North America's waterfowl resource. What will the Plan call for in terms of additional preservation of Gulf Coastal waterfowl wintering habitat, and of bottomland hardwoods?

Answer: The North American Waterfowl Management Plan calls for protection of 300,000 acres of coastal habitat from Texas to Georgia and an additional 386,000 acres of Bottomland Hardwoods between 1986-2000. The Plan also calls for increasing the carrying capacity of lands already acquired for waterfowl. Several options are specified to protect this additional acreage including acquisition, easement and various forms of subsides and incentives.

Question: When will the Service begin to identify desired tracts that would be added to existing acreage in order to meet the-objectives called for in the Plan?

Answer: The Service is preparing detailed Waterfowl Habitat Acquisition Concept Plans for the Gulf Coastal and Bottomland Hardwoods area. These plans, which will be completed by October 1, 1987, will be available to the public and will be used for purposes of Regional planning. They will contain an overview of the present distribution of waterfowl habitats, identify unique habitats and present a 15-year preservation strategy that identifies specific acres and estimated costs.

Question: Mr. Horn, do you have any idea how much the Plan is estimated to cost in total? Do you have an estimate of how much will be raised through fees?

Answer: The North American Waterfowl Management Plan is estimated to cost over $1 billion over the next 15 years. The Plan does not propose Federal spending by either signatory country to accomplish its goals. Rather, it calls for the participation of State, Provincial, Territorial and local governments, private conservation groups, businesses, and interested citizens to bear the cost of implementation. A small part of the cost of the Plan will be raised through user or entrance fees. Seventy percent of these fees, which are collected on many of our National Wildlife Refuges, will contribute toward wetland preservation under the Emergency Wetland Resources Act of 1986. Receipts from duck stamps and certain import duties are also deposited into the Migratory Bird Conservation Fund, and are used for wetland preservation.

Question: How much did the Service, or the Department, or the Administration request to this project started in 1988?

Answer: Many of the activiites included in the Service's FY 1988 $7,410,000 budget request for Migratory Bird Management contribute to accomplishment of goals in the North American Waterfowl Management Plan. Implementing cooperative joint ventures and cooperative habitat management programs associated with the Food Security Act of 1985 are two key areas included in the FY 1988 budget request.

Question: How much should Congress add, Mr. Horn?

Answer: The FY 1988 budget request is adequate for activities under the Plan if approved. Future budget requests will allow us to implement other aspects of the Plan.

Endangered Species

Question: The 1988 budget request for the endangered species program is $23,670,000 a decrease of $6,660,000 (or -19%) from the 1988 base level. The largest single decrease is a reduction of $4,300,000 which eliminates the grants to States for endangered species activities. Reductions are proposed for every individual activity in the Endangered Species Program--listing, consultation, permits, recovery, research, and law enforcement.

Mr. Dunkle, I know that the Federal deficit is a big problem, because I see it every day in my responsibilities on the budget committee. Yet it seems to me that if we are going to list new species as "endangered," shouldn't we also request research and recovery money to provide a mechanism for recovery of listed species? If we continue to list, shouldn't we, at least theoretically, add money for the recovery of that species?

Answer: The Service recognizes that recovery efforts must be continued. We are making every effort to provide for critical recovery support for listed species using the criteria incorporated in the recovery priority system as a guide for resource allocation. More importantly, we are also attempting to expand the recovery program by encouraging States, other Federal agencies, and private organizations to use their resources to actively participate in endangered species activities.

Question: Did you request an increase from the Department and OMB for this purpose?

Answer: No increase was proposed to either the Department or OMB for the Endangered Species activity in FY 1988.

Louisiana Black Bear

Question: I understand that the Washington Office of Endangered Species received a petition on March 23, 1987 proposing to list the Louisiana black bear. Is the Service prepared to make a decision on the petition at this time?

Answer: The Service has received a petition to add the Louisiana black bear (Ursus americanus luteolus) to the List of Endangered and Threatened Wildlife. According to the Endangered Species Act, the Service must, within 90 days of receipt of the petition, make a finding as to whether the petition has presented substantial information indicating that the requested action may be warranted. If such a finding is positive, the Service must, within a year of receipt, make a finding as to whether the action is warranted, not warranted, or warranted but precluded by other listing activity. At this time, the Service is still reviewing the petition and has not yet made the initial 90-day finding.

Question: How long will it take to conduct a status survey?

Answer: Any detailed studies on the status of the Louisiana black bear might require a considerable period. However, since the law requires findings within specific periods after receipt of a petition, such studies would not be allowed to delay the petition process.

Question: Are any funds required for the Service to be in a position to respond?

Answer: No additional funds should be necessary in order to make the required petition findings.

Question: I understand that there is significant controversy surrounding the question as to whether the Louisiana black bear is still genetically unique, as the Louisiana Wildlife and Fisheries Commission released 161 black bears from Minnesota in Louisiana between 1964 and 1967. What will the Service do to verify the uniqueness of the Louisiana black bear?

Answer: The key issue is whether the remaining Louisiana black bears have remained genetically isolated from the introduced Minnesota bears, or whether the native animals have interbred with the Minnesota bears, a separate subspecies, and have lost their genetic integrity. Such "hybrid" bears would not be eligible for protection under the Endangered Species Act. The best information that the Service has seen, a series of skull measurements, indicates that the Louisiana black bear has maintained its status as a distinct subspecies, but more data are needed before we can give a definitive answer. This will be difficult to obtain, since the skull measurement is so far the best indicator. The Service is now discussing a cooperative effort with the Louisiana Wildlife Research Unit to determine what type of study could provide information on both the taxonomic integrity and the population status of the Louisiana black bear.

Question: When will we know the outcome of the review?

Answer: The Service anticipates funding the cooperative study discussed above in the summer of 1987. A final report will likely be available around December 1988.

Question: Is a status survey automatically triggered by a petition to list?

Answer: A petition automatically triggers a review of all existing data under strict time limits established by the Endangered Species Act, but not necessarily a status survey to collect new data. The Service ranks all candidate species that need status surveys according to a priority system, regardless of whether they have been the subject of a petition or not, and funds those which are of highest priority. The Louisiana black bear is considered to be a high priority for such a survey.

Fish Hatcheries

Question: The 1988 budget request for hatcheries is $24,742,000, a decrease of $510,000 from the 1988 base costs. The decrease includes a reduction of $410,000 for hatchery maintenance, on the basis that "the requested funds will be adequate to address the essential hatchery maintenance needs until the Service maintenance management system is fully operational. When will that system be in place?

Answer: The system will be operational for managing building maintenance by the end of 1987. It should be operational for all other facilities by the end of 1988.

Question: What will the new system do--will it compare our maintenance funding and our maintenance needs and assign money to the highest priorities?

Answer: The primary purpose of the system will be to provide a readily accessible computerized inventory of the physical facilities on all Service field stations, along with current information on the condition, scheduled maintenance, rehabilitation needs, and problems associated with those facilities. The system will make this inventory and information readily available in various summary formats to higher level managers for planning and allocating funds for maintenance programs and activities. The system will also provide ADP capability for projecting future maintenance funding needs for up to five years based on the maintenance schedules incorporated in the data base.

Question: Can't we do that now?

Answer: Detailed information on maintenance needs has always been available at the field station level. Because of the sheer volume of information, it has been difficult, on a regional or national basis, to determine priorities and manage funds allocation in the most effective manner. This system will provide the basis for more effective management of the Service's maintenance program.

Natchitoches National Fish Hatchery

Question: I understand that the ponds and related facilities may need rehabilitation. Is that accurate? How is the equipment? The well? Would you provide, for the record, a complete list of the projects needed to maintain the hatchery in good condition?

Answer: The Natchitoches NFH fish rearing ponds and related facilites are in need of rehabilitation. All ponds need heavy equipment work to restore bottoms and levees; rehabilitation or replacement of concrete kettles and catch basins; and the completion of electricity to the ponds. Also needed are additional earthen ponds raceway to facilitate the production of striped bass and paddle fish. Other major items needed to maintain the hatchery in good condition and peak production operation include the expansion of the fish holding house and an equipment storage building. Major equipment needs are vehicles (replace two trucks); pond aerators and equipment; computer equipment; and the rehabilitation of the hatchery entrance and directional signs. Rehabilitation of the aquarium is needed, including rehabilitation of the aquarium display tanks; replacement of water heaters and public water fountain; upgrading the sand filter system; and replacement and updating of the visitor information and interpretation panels. Erosion of the bank adjacent to the hatchery pumping station on the Cane River Lake (hatchery main water supply) will require stabilization and rip-rap to prevent further deterioration. Manholes are needed on the hatchery main drain line to facilitate cleanout. Currently, if the drain line is plugged by an alligator, snapping turtle or debris, there is no facility to enable the crew to unplug the line. A deep, fresh water well is needed in conjunction with the Cane River Lake water supply.

Although the above projects may need to be accomplished in the near future, there are no health and safety needs on the list, the Service's top priority for funding. All other rehabilitation work can be deferred until the current deficit situation is eased. This work is lower priority and will again be considered in the future Service budgets.

The following is a complete listing of projects needed to maintain the hatchery in good condition.

Construction/rehabilitation/equipment needs:

- Rehabilitate fish rearing ponds, catchbasins, levees, water supply and drain lines, and complete installation of electricity to ponds
- Construct 5 0.3-acre earthern raceway and 6 0.5-acre ponds
- Construct fish holding house, related water supplies, and drains
- Construct equipment storage building
- Replace 2 vehicles - 3/4 ton trucks
- Pond aerators and equipment
- Computer hardware/software
- Rehabilitate aquarium building
- Rip-rap and stabilize Cane River Lake bank
- Replace entrance and display signs
- Install 5 manholes and main drain line
- Drill production well and construct pump house, pump and piping

Question: In view of the needs at Natchitoches, and the likely needs at other sites, wouldn't it be wise to maintain the maintenance funding at the 1987 level until we have our improved system in place?

Answer: We believe the requested funding is adequate to meet the most essential needs in 1988. The new maintenance management system will ensure that maintenance needs are systematically identified, costed-out, and considered in the allocation of maintenance funds. This will ensure the best use of available funds to meet the highest priority needs in the future.

Land Acquisition

Question: As you both know, this is the first year that wetland areas are specifically authorized for acquisition using Land and Water Conservation monies. Is wetland acquisition the Service's highest land acquisition priority? If not, is endangered species habitat acquisition?

Answer: The Service has developed a Land Acquisition Priority System (LAPS) to provide a basis for the prioritization of Land and Water Conservation Fund (LWCF) projects. LWCF acquisitions are assigned to one of three targets, i.e., Endangered Species, Nationally Significant Wildlife Habitat (NSWH), or Nationally Significant Wetlands. Projects are first ranked within their individual target and then are integrated into a LWCF national priority list.

Question: What are the three or four most important criteria used by the Service in developing their priority list?

Answer: The first step in determining the priority of an endangered species acquisition project is to determine the degree of loss, degradation, or decline of the habitat as a factor contributing to the present status of a species. In addition, how protection of a site will impact the recovery potential of a listed species is considered. Species status is the second part of the ranking system. The primary factor in assessing the present and projected status of a listed species is the measure of threat to the species survival. Recovery potential and taxonomic status are used in association with threat to determine species priority. For example, a project with one endangered species would rank lower than a project providing habitat for more than one endangered species. Similarly, a project serving an endangered species would rank higher than a project with an endangered subspecies.

The ranking factors for the Nationally Significant Wildlife Habitat Target include diversity of species and trend of habitat. Priorities are assigned to diversity of species based on a measure of the magnitude of species variety and abundance. Trend of habitat assesses amount of habitat, vulnerability, and threat potential of the site.

The ranking factors for the Nationally Significant Wetlands Target include diversity of objectives and trend of habitat/wetlands loss. The first assesses whether the project has been recognized for its contribution to wildlife or fisheries habitat protection or wetlands values. The second assessment identifies the trend of the wetland type, based upon the percent of change since 1954; declining, stable or increasing.

Once the three target project lists have been ranked they are combined into a LWCF national project list using two procedures. The first uses the priority order of the projects in each of the target lists. This order is kept intact during the ranking process. The second is to develop a common factor score for each project. Common factors are criteria that can be equally applied to all projects, regardless of target. These include: (1) contribution to national Service goals; (2) degree of threat; and (3) potential public use. These project common factor scores are used to integrate the projects into the LWCF national priority list.

Thus, the highest ranking projects are the projects with the highest common factor scores regardless of target. The LAPS process ranks the projects collectively rather than by endangered species or wetlands. This year the top two projects are from the NSWH Target. Next year, when we look at a different mix of projects, the highest ranking project could be from the Endangered Species or Wetlands Target.

Question: How do those criteria justify, say, having land acquisition at the San Francisco Bay NWR as the number one project, while other valuable projects such a Chickasaw NWR is ranked 29 or the Finnegan Cut is ranked 25, or the Florida Panther or Key Deer are ranked 23 and 22, respectively?

Answer: The list that you referenced, headed by San Francisco Bay has been superceded by a list that was approved on April 3, 1987. There were several problems with the earlier list. First, it included some projects such as Finnegan Cut that do not have an approved Preliminary Project Proposal (PPP). Second and perhaps most important, because of an error in the computer program, the projects on the earlier list were erroneously ranked. The list that was approved on April 3, 1987, was developed using the revised LAPS program, and included consultation with the Regional Directors. It includes only those projects with approved PPPs.

The Lower Rio Grande NWR project in Texas, is the Service's highest land acquisition priority. The San Francisco Bay project ranks fourth. The only way to meaningfully compare projects is to compare projects within the same target. The Chickasaw project in the wetlands target is ranked 31. There are seven wetlands projects that rank higher. The Florida Panther project is not included on the LWCF national priority list because we are pursuing an exchange rather than seeking LWCF funds. If it were on the list, seven endangered species projects would rank higher. Seven endangered species rank higher than the National Key Deer project which is number 30 on the list. As stated above, the PPP for the Finnegan Cut project has not yet been approved. Consequently, that project is not on the Service's LWCF national priority list. When the PPP is approved, the project will be added to the list.

The fact that certain projects are not at the top of the priority list doesn't mean that these projects do not have merit; all of the projects on the list represent acquisition proposals that have undergone a thorough review process and are consistent with the Service's needs and objectives.

Question: I anticipate that this subcommittee will provide a substantial increase in land acquisition funding above the President's request of $1,639,000. Mr. Horn, will you provide us with your's and the Service's best advice on projects by type, such as endangered species, wetland, migratory waterfowl areas, inholdings, and other such categories?

Answer: As you know, no funds have been requested for new land acquisition. In view of the large area of land already in Federal ownership and the current fiscal situation, Land and Water Conservation Fund land acquisition is not being requested in FY 1988. The following is the Service's Land and Water Conservation Fund National Priority List. This list represents the Service's best advice and was developed in anticipation of this hearing.

LAND AND WATER CONSERVATION FUND
NATIONAL PRIORITY LIST

NATL RANK	PROJECT	REGION	TARGET
1	LOWER RIO GRANDE NWR, TX	2	NSWH
2	MATAGORDA ISLAND NWR, TX	2	NSWH
3	ASH MEADOWS NWR, NV	1	Endangered Spp.
4	SAN FRANCISCO BAY, CA	1	NSWH
5	LESLIE CANYON, AZ	2	Endangered Spp.
6	LOWER SUWANNEE RIVER NWR, FL	4	NSWH
7	NATIONAL ELK REFUGE, WY	6	NSWH
8	CONNECTICUT COASTAL, CT	5	NSWH
9	ALLIGATOR RIVER, NC	4	Wetlands
10	J.N. "DING" DARLING, FL	4	NSWH
11	DRIFTLESS AREA NWR, IA	3	Endangered Spp.
12	TINICUM NEC, PA	5	NSWH
13	CHARLES M. RUSSELL, MT	6	NSWH
14	BLUNT-NOSED LEOP. LIZ., CA	1	Endangered Spp.
15	GREAT SWAMP NWR, NJ	5	NSWH
16	TRUSTOM POND NWR, RI	5	NSWH
17	PATOKA RIVER NWR, IN	3	Wetlands
18	GREAT DISMAL SWAMP, NC/VA	5	NSWH
19	MINNESOTA VALLEY NWR, MN	3	NSWH
20	TREMPEALEAU NWR, WI	3	Wetlands
21	OKLAHOMA BAT CAVES, OK	2	Endangered Spp.
22	TENSAS RIVER NWR, LA	4	NSWH
23	FOX RIVER NWR, WI	3	Wetlands
24	ATWRTRS PRAIRIE CHICKEN, TX	2	Endangered Spp.
25	KIRTLAND'S WARBLER, MI	3	Endangered Spp.
26	EASTERN SHORE OF VA, VA	5	NSWH
27	UPPER MISS. RIV. NWFR, MN	3	Wetlands
28	BAYOU SAUVAGE, LA	4	Wetlands
29	RAINWATER, NE	6	Wetlands
30	NATIONAL KEY DEER, FL	4	Endangered Spp.
31	CHICKASAW NWR, TN	4	Wetlands
32	CRYSTAL RIVER, FL	4	Endangered Spp.
33	ST. VINCENT NWR, FL	4	NSWH
34	WERTHEIM, NWR, NY	5	NSWH
35	MISS. SANDHILL CRANE, MS	4	Endangered Spp.
36	BON SECOUR NWR, AL	4	NSWH
37	SWAN RIVER NWR, MT	6	NSWH
38	LEE METCALF NWR, MT	6	NSWH
39	BOGUE CHITTO NWR, LA	4	NSWH

NSWH - Nationally Significant Wildlife Habitat

Note: All projects have approved Preliminary Project Proposals or other approved decision documents.

The Service does not maintain a priority list of inholdings for acquisition in FY 1988. These areas are acquired suddenly when they become available and any such list would be out-of-date before the fiscal year begins.

Service Budget Request for Funding Cooperative Fish and Wildlife Research Units

Question: The Service's budget request includes $4,941,000 to continue the Cooperative Research Units at the 1988 base level. How much money does that provide each Unit? How many staff are assigned to each? For the record, please provide a State by State list of funding and staffing, including the terms for cooperation for each Unit. If funding, or staffing, or the terms of cooperation vary between Units, please provide an explanation.

Answer: The requested State by State listing of funding and staffing for each Unit is provided in the following table. The terms of cooperation vary slightly in each Cooperative Agreement but are basically the same for all Units. The differences are mostly in degree and/or definition of what is considered basic operational support for the Unit vs. what is provided as support for specific research projects as defined by local Cooperators. The wording differences in the various Cooperative Agreements are almost always a reflection of the differences between State laws that cause support for the Unit to be provided in different ways, i.e., different levels of in-kind support vs. hard dollars, etc. A common difference is the wording that specifies the overhead rate the host university will charge on incoming research funds provided above the operational base. This figure varies from 0 percent to 30 percent but covers different levels and sources of funds; the average overhead rate probably falls in the 6 percent to 8 percent range when all funding sources and levels are considered. The foregone portion of overhead, on incoming research grants that would normally be levied at higher rates by the university, is considered part of the university contribution to the Unit.

Cooperative Fish and Wildlife Research Units

Estimated FY 1988 FWS Funding

	Funds ($000)	FTE
Alabama Fish & Wildlife	160	3
Alaska Fish	135	2
Alaska Wildlife	92	1
Arizona Fish & Wildlife	108	3
California Fish	114	2
Colorado Fish & Wildlife	153	2
Florida Fish & Wildlife	117	2
Georgia Fish & Wildlife	151	3
Hawaii Fish	82	1
Idaho Fish & Wildlife	166	3
Iowa Fish & Wildlife	173	3
Louisiana Fish & Wildlife	168	3
Maine Fish & Wildlife	112	2
Massachusetts Fish	104	2
Massachusetts Wildlife	62	1
Minnesota Fish & Wildlife	105	2
Mississippi Fish & Wildlife	106	3
Missouri Fish & Wildlife	94	3
Montana Fish	108	2
Montana Wildlife	107	2
New York Fish & Wildlife	166	3
North Carolina Fish	109	2
Ohio Fish & Wildlife	156	3
Oklahoma Fish & Wildlife	151	3
Oregon Fish	109	2
Oregon Wildlife	114	2
Pennsylvania Fish & Wildlife	164	3
South Dakota Fish & Wildlife	105	2
Tennessee Fish	105	2
Utah Fish & Wildlife	100	3
Virginia Fish & Wildlife	101	2
Washington Fish & Wildlife	111	2
West Virginia Fish & Wildlife	62	2
Wisconsin Fish	105	2
Wisconsin Wildlife	61	1
Wyoming Fish & Wildlife	178	3
Cooperative Unit Center	573	5
	4941	86

Research Reductions

Question: All of the other research projects are proposed for reduction in 1988. The largest reduction is in the contaminants area, which is proposed for reduction of $1,100,000 (or -8%) from the 1988 base level. Will any of the reductions affect funding or staffing levels in the Gulf area?

Answer: The proposed reduction in contaminants research is comprised of two packages. The largest ($900,000) is elimination of one-time scientific and technical equipment replacement funds, which could have been used for high priority items from all Research and Development Centers. The second package is a $200,000 reduction in the Acid Precipitation Mitigation Program, at Kearneysville, West Virginia. Neither of these reductions affects funding or staffing levels in the Gulf area.

Scientific Equipment

Question: There is a reduction of $900,000 proposed as a result of a one-time add in 1987 for acquisition of scientific equipment. I am told, however, that there has been significant equipment failure since the budget was submitted. Is that accurate?

Answer: The National Fisheries Center - Great Lakes has a mass spectrometer/gas chromatograph which is used for studies of the effects of contaminants on biological samples. This piece of equipment has become inoperable a majority of the time due to unavailability of replacement parts.

Question: Should we consider retaining this item in 1988?

Answer: Replacement costs are $200,000 for the mass spectrometer; however, there are no funds in the 1988 budget to accomplish this replacement.

Closure of EELUT

Question: Once again, I notice that the Service is proposing to close the Eastern Energy and Land Use Team (EELUT) in West Virginia, on the basis that the National Ecology Center at Fort Collins, Colorado will be able to handle the ongoing oversight responsibilities. How many times has this proposal been made, Mr. Horn?

Answer: In 1982, with the decreasing emphasis on oil and mineral development, it was proposed that the Eastern Energy and Land Use Team be closed during FY 1983.

Question: Is there any more substance to this proposal than there was in prior years?

Answer: As of FY 1986, the coordination of the Service's acid rain biological effects research and the management of the Acid Precipitation Mitigation Program were the only projects remaining at EELUT.

In FY 1986, EELUT was administratively assigned to the National Ecology Center, Fort Collins, Colorado. Although the 5-year project on the Dogway Fork of the Cranberry River in West Virginia to determine the effects and efficiency of liming application in acid rain mitigation will continue through 1991, closure is recommended because responsibilities assigned to the EELUT station can be assumed by the Fort Collins staff.

Liming Demonstration Projects

Question: Has the Service completed its liming demonstration projects?

Answer: The Service was provided the primary funds for the liming demonstration program in FY 1985. Using these funds, cooperative Federal/State mitigation projects were developed. This cooperative effort, entitled the Acid Precipitation Mitigation Program (APMP), will be completed in FY 1991. The 5-year program will permit the characterization of the site prior to treatment, the treatment (liming) phase, and the post-treatment monitoring necessary to determine the effects and efficiency of the liming application.

Question: Where were these projects finally carried out?

Answer: The State sites selected are representative of the regions having sensitive surface waters and receiving acid depositions. Cooperative projects are currently underway in the States of Massachusetts (Whetstone Brook), West Virginia (Dogway Fork), Tennessee (Laurel Branch), and Minnesota (Thrush Lake), with supporting work in New York (Adirondack Lakes).

Question: Because one of the demonstration projects was on Dogway Fork, on the Cranberry River, doesn't it make sense to continue the EELUT in West Virginia to continue project monitoring?

Answer: Although the West Virginia liming project will continue through 1991, closure is proposed in FY 1988 because responsibilities assigned to the EELUT station can be assumed by the National Ecology Center, Fort Collins, Colorado.

Question: Couldn't the EELUT report to the Patuxent Wildlife Research Center as a field station, rather than through the Fort Collins unit?

Answer: If the station remains open, it could be supervised by the Patuxent Wildlife Research Center; however since all of our research centers have national missions, it would make no difference which research center it reported to.

Question: How long will the projects continue to generate data?

Answer: Data will be collected through FY 1990, with state annual reports issued each year and a final summary report prepared in 1991.

Question: At what annual costs?

Answer: Funding support for the cooperative projects was provided at the beginning of the 5-year program in the following amounts: Massachusetts - $555,600, West Virginia - $526,200, Tennessee - $767,400, Minnesota - $671,300. Costs for project management and quality assurance/quality control by the Service in FY 1987 is $480,000. The projected budget in FY 1988 is $280,000.

Question: Please provide for the record a summary of these projects, and a copy of the scientific papers produced as a result, with a summary of what each paper contributes to the current issue of acidification of lakes.

Answer: After approximately one year of data collection and before liming treatment, the results show the study sites are characteristics of those surface waters being stressed by acid deposition. In Tennessee the stream is considered highly susceptible because of its low buffering capability; biological communities at the sites in Minnesota and Massachusetts have begun to show signs of stress; and in West Virginia the stream has lost its entire sport fishery. Caged rainbow trout placed in the Massachusetts stream showed 100% mortality when tested during the spring snowmelt. At this time pH ranged from 4.7

to 4.9 and monomeric aluminum, a metal possessing toxic potential under acidic conditions, increased 250%. Spring bioassays in the West Virginia stream also produced 100% mortality in rainbow trout and nearly 98% mortality in brook trout, a more acid tolerant species. These tests will continue after liming treatment. Results of these studies will provide resource managers the information needed to make informed knowledgeable decisions about the type of treatment to use for a aquatic resource being impacted by acid deposition and the associated benefits/risks.

Additional projects in New York are investigating the variability in effectiveness of liming and fish response in 10 small Adirondack lakes and the influence of liming on light attenuation and thermal stratification. Preliminary results show survival of brook trout after liming is generally high compared to pretreatment. No drastic effects of the liming process have been observed.

Backup material detailing each project has been provided under seperate cover to the Committee.

National Wildlife Refuge Operations
Tern Island

Question: We understand that the FWS is considering closing Tern Island, or at least making Tern Island a less than full time station. The basis cited for that position is that the Hawaiian Island Refuge Complex allegedly took a 15% budget reduction in FY 1987. How did that happen when overall refuge O&M was increased by the Congress, as was the endangered species program?

Answer: The field station listing in the FY 1988 Budget Justifications showed a reduction in funding for the Hawaiian Islands Complex from $871,000 in FY 1986 to $815,000 in FY 1987. This decrease was presented as a result of the Administration's proposed rescissions in the FY 1987 budget, which has since been restored by the Congress. Rescission funds for the Hawaiian Islands complex included the FY 1987 Congressional add-on for the Hawaiian forest birds. Restoration of these funds will bring the station funding to $890,000 or a 2% increase over FY 1986.

Question: Could the Service continue to operate the Tern Island Station full time if we were to add $200,000 in 1988 for repairs and another $100,000 per year after 1988 for increased operating expenses?

Answer: The Fish and Wildlife Service has had staff permanently assigned to Tern Island since 1979, initially as part of a joint research effort with the National Marine Fisheries Service, State of Hawaii, and University of Hawaii. Since the conclusion of that effort the Service has maintained its full time presence on Tern Island. The facilities occupied by the Service were initially built by the U.S. Coast Guard in the early 1970's, following a devastating hurricane during which emergency evacuation of personnel was required. The facilities were designed and built to house and support a contingent of 20 to 25 men assigned to the LORAN facility at Tern Island. Of this contingent nearly two thirds, or more than 15 men, were assigned to full time maintenance of the buildings, generators, and supporting equipment such as refrigerators, radios, and the fresh water system. Similar to a ship at sea, the facilities at Tern Island are constantly exposed to a corrosive marine environment, and require continuous maintenance to remain functional.

Since 1979 the Service has had six to eight seasonal, but only two full time employees on Tern Island, and these have been biologists, not maintenance personnel. We have not been able to keep ahead of the maintenance demands at Tern Island, and have year-by-year fallen further behind. Currently we find our biologists doing mostly maintenance and little biology, in order to survive on the island. At present the roof and casement windows leak, refrigerators need constant attention, and generators have continuous problems. Even if large sums of money were put into Tern Island to restore it to the condition it was when we inherited it from the Coast Guard, we would simply repeat the process of watching the facility deteriorate over time.

Operation of the Tern Island station on a full time basis is expensive. Required maintenance costs escalate every year and most likely will continue to do so. Maintenance tasks require an increasing amount of time as well. Routine O&M costs are estimated at $208,900 for FY 1987, with an additional $58,000 needed for large equipment and services. In FY 1988 or soon thereafter, a new roof may be required for the barracks at a cost of about $40,000. A major outlay, about $3 million, could be required around 1991 for rehabilitation of the seawall and runway. For comparison, it should be noted that the whole Hawaiian Islands Refuge Complex received $859,500 in O&M funds in FY 1987 and $750,000 in FY 1986. New refuge funding for Hakalau Forest accounted for $83,000 of the difference.

In the intervening years since the Coast Guard departed Tern Island, the greatly reduced human presence has resulted in sharply increased use of the island by endangered Hawaiian monk seals and threatened green sea turtles. Any attempt to restore Tern Island facilities to their previous condition and maintain them at that level would require an increased human presence on the island detrimental to its current use by these two species. Therefore our current proposal is to accept the fact that we cannot maintain the facility for permanent occupancy, stop wasting our resources in an attempt to do so, reduce our presence to a 10-month field camp, and put all of our effort on Tern Island back into the biological tasks of enhancing the island's habitat for the migratory birds and endangered species which live there. By doing so, we will be able to continue to assist entrapped/ entangled seals and turtles, adequately facilitate and monitor research by permitees, increase habitat protection efforts, and continue to guard against introduction of alien species of plants and animals at Tern Island and the other nearby islands. We believe that this approach is the most appropriate in view of the resource values and cost factors involved.

Question: Would the Service support such action, based on the resource value at risk?

Answer: If an additional $100,000 per year were made available, it would be used to monitor wildlife resources, facilitate research, increase habitat protection, and guard against introduction of exotics on other islands of the Northwest Hawaiian Islands National Wildlife Refuge. The Service would carryout these activities through a 10-month field camp operation at Tern Island, with ingress/egress via boat. We would not continue costly aircraft access to the island, nor maintenance of the existing runway. Should the National Marine Fisheries Service, the Coast Guard, or other agencies wish to maintain aircraft access, they could continue to fund its upkeep

The Arctic NWR and Land Exchanges

Question: The Secretary's recommendations for oil and gas leasing on the Arctic NWR are not expected for a few weeks yet. However, there are a number of questions that are pertinent at this time. For example, would you summarize the public comment that you received to the draft recommendations?

Answer: During the comment period, 11,361 letters were received. The majority of these letters (11,244) were generally a statement that the area should be opened to further oil and gas activity or that the area should be designated as wilderness. Of these letters, 7,491 favored leasing and 3,707 favored wilderness designation. Substantive comments on the contents of the report itself were received from 117 respondents.

Question: What type of new wildlife or geologic data was submitted for your consideration in developing the final report?

Answer: An additional year, 1986, of data on the outer boundary of scattered caribou calving and areas of concentrated calving was added to the final report. Some additional references were consulted and incorporated, public comments recommending modifications were included where appropriate, and clarifications were provided in response to other public comments. However, no significant changes were made in the conclusion on potential effects to fish and wildlife species from the five alternative management strategies described in the 1002 report.

Caribou

Question: I understand that the single most significant wildlife question has to do with the reaction of the caribou herd if, 10 or 15 years down the road, the herd returned from Canada to their favorite calving grounds and were confronted with developments in place. What would the herd do and what would be the result on the overall vitality of the herd?

Answer: There is roughly a 75 percent chance that cows in a concentrated calving area will encounter oil and gas related activities if full leasing and development occurs as outlined in the Legislative Environmental Impact Statement. Cows with calves are sensitive to disturbance and will change locations due to human activity. The extent of displacement is variable and will require additional research before accurate predictions can be made. The impact on the vitality of the herd cannot be predicted without additional research. The traditional use of this area is thought to be an evolutionary consequence of increased survival and productivity of those individuals utilizing this portion of the herd's range for calving. It has been hypothesized that caribou use certain areas for calving because they offer lower risk of predation by wolves, bears and eagles, and/or they offer better food which increases the fat deposition of both cows and calves, thereby increasing their chances for survival and future reproduction. Preliminary data on calf mortality indicates that calves born within the core area experience lower rates of predation than those outside the core area, but sample sizes are small and additional research is needed. Research has been proposed to compare forage quantity and quality within the core area to peripheral areas and to establish the links between habitat quality and population dynamics.

Question: How many years in a row does the herd use the same area for calving?

Answer: During the last 14 years concentrated calving was observed 7 years in a row on a small segment (approximately 20,000 acres) of the 1002 area.

Question: How frequently does the herd use the favorite calving ground?

Answer: Concentrated calving was observed 11 of the last 14 years in a smaller (10,000 acre) area.

Question: What is the Service doing now to develop answers to these questions?

Answer: Caribou research conducted by the Service in Alaska is base funded at $108,000 annually. Ongoing research has emphasized the development of the technologically advanced tools necessary to define the potential impacts of petroleum development on caribou within the Arctic National Wildlife Refuge. Initial testing has confirmed the feasibility of using satellite and computer technology to determine caribou behavior, habitat requirements, impacts of gas and oil development and the effectiveness of mitigation.

Question: On the related land exchanges, why is the Department investing so much time in this topic?

Answer: The Department views the prospect of Alaska exchanges as an opportunity to return prime habitat now in private ownership to the public sector and the National Wildlife Refuge system. At the present time the Department is negotiating with five Native entities: Konaig, Akhoik-Kaguyak, Old Harbor, Doyan, and Native Lands Group (a partnership of several Native corporations). These participants have offered over one million acres for exchange within the Kodiak, Kenai, Yukon Delta, Innoko, Kanuti and Nowitna National Wildlife Refuges. Collectively, the lands being offered represent some of the most significant acquisition needs within the NWRS. Their uniqueness is reflected in world class habitats for migratory birds, anadromous fish and brown bears coupled with unsurpassed recreational opportunities. For example, 14.2 percent of the population of Pacific Flyway brant, 23.4 percent of the world population of cackling Canada geese, 20 percent of the world population of emperor geese, and 5 percent of the Pacific Flyway population of the greater white-fronted geese nest in the lands offered by the Native Lands Group. Other lands offered would enable us to return to public ownership and restore wildlife refuge status to the majority of the lands critical to the Kodiak brown bear. However, any terms and conditions negotiated in connection with potential exchanges will be consistent with the Secretary's 1002(h) report.

Question: What do you see as the role of Congress?

Answer: The Department has made it clear from the outset that any such exchanges will be forwarded to Congress for review and approval.

Question: What conditions have the native corporations set on the exchanges; conditions that have to be met before they will proceed?

Answer: There have been no conditions uniformly imposed by all of the native corporations on the exchange discussion. However, various conditions have been represented independently in the course of negotiations. Perhaps the most frequently sought condition has been the retention of a "subsistence" easement on Native inholdings being offered in exchange. Since the affected refuges have subsistence uses as one of their primary purposes, such a condition is probably consistent with the acquisition and management objectives for those refuges.

Question: What is the schedule for the land exchange negotiation process?

Answer: As with any negotiations of this magnitude and complexity, it is impossible to establish or predict a timeframe in which they can be completed. However, it is anticipated that the draft Land Exchange Impact Statement (LEIS) will be completed by October 1, 1987, with Secretarial review expected by the end of 1987.

Oil and Gas Leasing Receipts

Question: As you may know, a bill has been introduced which calls for a portion of future receipts from oil and gas leasing on refuges to be available for land acquisition projects. Will the exchanges reduce receipts to the Federal Treasury?

Answer: Exchanges could reduce future receipts from oil and gas if the estate the Unitied States is divesting the subsurface estate.

Question: Why should we support exchanges?

Answer: Wildlife habitat, in general, can be acquired by exchange without the expenditure of Federal funds for specific land acquisition projects. Also, some landowners are more receptive to the exchange of lands rather than an outright sale. Administrative and management problems have been resolved on several refuges by exchange. There can also be cases where the combination of tax implications and administrative costs would make an exchange more expensive than purchase.

BIA Hatcheries

Question: We have received a number of complaints from outside groups that the BIA is not providing adequate support to support fish hatcheries and technical assistance projects transferred to the BIA from the FWS. Would you provide a funding history of these projects, and comment on the overall process involved in managing these programs?

Department Comment: The present system of funding whereby BIA budgets for the Quinault, Williams Creek, Alchesay, and Mescalero fish hatcheries, which are operated by the Fish and Wildlife Service under a Memorandum of Agreement (MOA), apparently has not functioned adequately to fully meet the needs of the BIA, FWS, or the tribes. Both the BIA and the FWS have different perspectives about the questions asked in this section; consequently, the views of both agencies are provided here.

Answer:

Fish and Wildlife Service View: The process of annually negotiating a Memorandum of Agreement (MOA) to provide the funds to cover this assistance is difficult but not insurmountable for both agencies. BIA budgets for funds that are primarily for a Service implemented program. The Service must then plan, staff, and implement a program for which it has only limited input in determining budgetary needs.

Both agencies incur some overlapping administrative costs associated with budgeting and implementing. Since negotiations cannot be finalized until Congress completes the appropriation process, a portion of the fiscal year has often passed before funding details are worked out, the MOA is signed, and funds are actually available to the Service. Because the hatcheries and assistance stations funded involve ongoing operations with permanent staffs and recurring maintenance needs, it is difficult to operate the facilities in an effective and efficient manner, however, we are continuing to work on improvements to the process.

Bureau of Indian Affairs View: The Bureau agrees that the negotiating of a Memorandum of Agreement each year is somewhat burdensome; however, we have no problem with continuing this process. BIA beleives that a principal goal of the current arrangement is for tribes to develop the necessary capabilities to assume responsibility for these hatchery operations. The Bureau believes that it has been responsive to the FWS funding needs as expressed in negotiations over the past three years. Although the MOA may not be finalized until well into the fiscal year, the appropriated funds have been used to manage and operate these hatcheries while the negotiations have proceeded. The BIA has adequately supported FWS operations while affording tribes every opportunity and encouragement to develop their own capabilities and programs.

The following table displays the funds provided to this program by both the BIA and FWS from 1981 to 1987.

FUNDING ASSOCIATED WITH FWS OPERATED FISH HATCHERIES AND FISHERY ASSISTANCE STATIONS INVOLVED IN TRIBAL TECHNICAL ASSISTANCE
($000)

Station	Agency 2/	Fiscal Year 1/						
		1981	1982	1983	1984	1985	1986	1987 1/
Olympia Fish Health 4/ Center, WA	FWS	42	49	50	88	88	105	102
	BIA	-	-	-	-	-	76	76
Olympia FAO, WA 4/	FWS	370	504	318	352	353	460	479
	BIA	-	-	-	212	153	-	-
Quinault NFH, WA	FWS	213	207	247	64	0	3	0
	BIA	-	-	-	208	266	254	281 3/
Alchesay/Wms Creek NFH, AZ	FWS	364	304	229	88	46	100	83
	BIA	-	-	101	253	347	337	369
Parker FAO, AZ	FWS	46	46	0	11	0	7	13
	BIA	-	-	40	40	42	40	40
Pinetop FAO, AZ	FWS	118	106	22	1	0	2	8
	BIA	-	-	77	77	81	86	86
Mescalero NFH, NM	FWS	168	174	59	0	0	1	20
	BIA	-	-	151	184	211	202	211
Lander FAO, WY	FWS	129	98	27	1	1	3	18
	BIA	-	-	58	158	166	151	151
Vernal FAO, UT	FWS	17	30	4	3	0	1	15
	BIA	-	-	30	30	32	30	30
Valentine FAO, NE 4/	FWS	82	77	72	78	79	72	90
	BIA	-	-	-	15	16	15	15
Kalispel/Creston FAO, MT	FWS	149	134	96	0	0	0	0
	BIA	-	-	33	35	37	36	80
Gallup FAO, NM 5/	FWS	102	85	6	2	-	-	-
	BIA	-	-	78	78	-	-	-

1/ Amounts for 1981-1986 represent actual expenditures; 1987 is budgeted amount

2/ Amounts shown represents funds provided by the respective agencies. A dash (-) indicates no interagency agreement for that year.

3/ Amount includes $26.5 one-time maintenance funds provided by BIA for 1987 only.

4/ FWS funds shown include non-Indian activities also conducted at station.

5/ BIA funding terminated; Gallup FAO closed at the end of FY 1984.

Question: What would it cost additionally, if anything, in order to improve these services to an acceptable degree?

Answer:

Fish and Wildlife Service View: The Bureau of Indian Affairs' budget request for FY 1987 identified $1,339,000 for the technical assistance and hatchery operations carried out by the Fish and Wildlife Service. The Bureau and the Service are presently finalizing negotiations on the agreement for the work to be done with these funds in FY 1987. The Bureau also informs us that their budget request for FY 1988 includes $1,227,000 for the Service assistance program.

Also the Bureau has been unable to provide sufficient funds to properly meet all facility maintenance needs at the hatcheries although the highest priority needs have been met. As a consequence, the Service has routinely contributed varying amounts of funds toward the needs of the program. A backlog of lower priority unmet maintenance needs has developed at the involved hatcheries. We estimate that approximately $1,800,000 would be required to provide the technical assistance desired by the Tribes and to meet the highest priority facility maintenance needs. A breakout includes:

Technical Assistance	$ 475,000
Hatchery Operations	$ 839,000
Critical Maintenance	$ 486,000
	$1,800,000

In addition, lower, but of still significant priority are technical and operational concerns in Arizona and New Mexico are estimated to require $244,000.

Bureau of Indian Affairs' View: BIA's FY 1988 request of $1,227,000 is adequate for the FWS to operate the four hatcheries. However, we agree that this request does not include funds for maintenance and renovation. Since the tribes are the primary beneficiaries of the fishery resources from these four hatcheries, the tribes could use their own resources for any renovation or maintenance projects if the benefits outweighed the costs. It should be noted that when the hatcheries were transferred to BIA from FWS, no funds for renovation nor cyclical maintenance were transferred, and no funds have been added to the base since then for this purpose.

Department Conclusion: The Department agrees that the situation at present is not satisfactory. For FY 1988, we believe that the current management arrangement should be continued since policy officials have not had an opportunity to address this matter with appropriate supporting data. As part of the FY 1989 budget review process, the Department will address this issue considering such options as:

- continuing the present arrangement but at a higher funding level to address operating and maintenance needs more fully;
- transferring responsibility for budget coverage to the Fish and Wildlife Service; or
- transferring operational responsibility totally to BIA and ending FWS involvement.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Interest in Establishing a Cooperative Fish and Wildlife Research Unit in Vermont

Question: Mr. Dunkle, as you may know, the State of Vermont and the University of Vermont have indicated their interest in cooperating with the U.S. Fish and Wildlife Service to establish a Cooperative Research Unit in Vermont.

Answer: The considerable support for a Cooperative Unit in Vermont leads me to believe that such a Unit would prove valuable to the Service. The State and the university have valuable ongoing projects on fish and wildlife resource problems, and the establishment of a Cooperative Research Unit would enhance the research opportunities and capabilities of the State and the university in researching resource problems of national and regional significance.

Question: I understand that the Service in FY 1988 will operate Cooperative Research Units at 33 universities in 31 states. The Service's FY 1988 budget request indicates a slight increase in funding for Cooperative Research Units. Can you tell me what the increase in funding would be used for?

Answer: The increase in funding requested for the Cooperative Units for FY 1988 would be used for increased salary and retirement costs.

Question: Can you tell me whether the Service has any plans to request an authorization or funding for additional Units in the near future? If so, can you tell me where additional Units are being contemplated?

Answer: The Service does not have any plans to request authorization or funding for additional Units.

Question: Can you tell me what the estimated average cost is for start-up of a Cooperative Research Unit?

Answer: The estimated cost for the start-up of a Cooperative Research Unit is $200,000.

Question: Do you have any reason to believe that a Cooperative Research Unit in Vermont would not be beneficial to both the State of Vermont and to fish and wildlife research activities within the Fish and Wildlife Service?

Answer: Existing Fish and Wildlife Service research activities are providing answers to issues of primary concern to the Service in the Vermont area. We do not believe that another Cooperative Research Unit is needed there, but we are not knowledgeable concerning the benefits that the State of Vermont might wish to have from such a Unit.

Lake Champlain

Question: Mr. Dunkle, I am concerned about what I perceive within the Service as an attempt to ignore Lake Champlain as the major and important water resource that it is. I have seen examples of fisheries legislation where Lake Champlain is not included in the authorizing legislation nor in appropriation requests under the legislation. As you know, in one instance of this--the Anadromous Fish Act--it was necessary to amend the Act in order to have Lake Champlain considered eligible for funding.

I am concerned now about the Service's interpretation of the Interjurisdictional Fisheries Act.

Does the Service consider Lake Champlain as an eligible body of water under this Act? If not, do you believe an amendment to the Act is necessary in order that Lake Champlain can be considered eligible?

Answer: Lake Champlain is recognized by the Service as a Major interjurisdictional body of water, and the Service is responsive to the fishery opportunities and problems associated with the Lake.

Question: Is this simply a matter of Lake Champlain being ignored by the Fish and Wildlife Service?

Answer: Region 5, Fish and Wildlife Service is actively involved in the fisheries program of Lake Champlain. Almost all of the Pittsford National Fish Hatchery production is stocked in Lake Champlain. Estimated production for FY 1987 is 190,000 landlocked Alantic salmon.

Region 5 is an active participant with Vermont and New York in the Environmental Impact Statement that is being written regarding potential lamprey control in Lake Champlain. The Region is involved in the lamprey eel assessment program through our Office of Fisheries Assistance, Montpelier, Vermont.

The Regional Director, Region 5 is the Chairman of the Lake Champlain Policy Committee and a member of his staff is Chairman of the Technical Committee.

The interjurisdictional Fisheries Act is administered by the Department of Commerce, anf the National Marine Fisheries Service would be able to address the question to the fullest extent.

Missisquoi National Wildlife Refuge

Question: As you know, I have long been interested in the Service's activities at the Missisquoi Refuge in Vermont. Please could you outline for me the current status of activities at Missisquoi in regards to the new headquarters facility, including completion date, construction schedule, and cost.

Answer: Feasibility and planning work for the new headquarters facility on Missisquoi NWR has been completed. We project that design could be complete and bids solicited approximately nine months after monies are available and that the facilities could be occupied about a year-and-a-half after receiving appropriations, Funding for design is estimated at $278,000; the construction estimate is $856,000. Funding for this project will compete Servicewide on a priority basis for future consideration.

QUESTIONS SUBMITTED BY SENATOR DENNIS DECONCINI

Question: The 1988 request for the Fish and Wildlife Service totals $318 million, a reduction of $78 million from the FY 1987 level. You indicate on page 3 of your budget justification that this amount "provides the Service with adequate resources to address national priorities." Define the most critical national priorities and the overall impact of this reduction on these national priorities.

Answer: Within the funding level requested for FY 1988, the Service will address a number of high priority areas including: a total of $22.1 million to address contaminant concerns on and off Service lands; $23.7 million for endangered species activities; and funding for operation and maintenance of national wildlife refuges, fish hatcheries, and research laboratories. Highest priority health and safety requirements are accommodated within the request for $8.7 million for the Construction appropriation. Total funding in 1988 for conservation of wetlands is $37.6

million to provide protection for approximately 52,000 acres of valuable habitat.

Cooperative Grant Program

Question: The service has successfully used the cooperative grant program in the past as an incentive to promote active State involvement in endangered species activities. You are now proposing the phaseout of this program--a decrease of $4.3 million--because you believe that opportunities exist for the States to secure additional resources to continue their endangered species programs. You also indicate on page 41 that you expect "no essential recovery program would be terminated as a result of the loss of State grant funds." What is your assessment based on?

Answer: This assessment is based on two factors: 1) that the States will take a more active role in implementing endangered species recovery actions, and 2) the Service will not allow a known priority 1 recovery task (i.e., a task necessary to prevent species extinction) to go unsupported, regardless of funding available in the grant account.

Question: Would your Regional Offices and the States agree or would they express a need for additional funding?

Answer: It is the Service's position that the States should assume more responsibility in establishing and implementing endangered species recovery activities with their own resources. It has been our experience that the States have always asked for additional funding.

Question: What impact will the loss of funds have on the States overall? On Arizona?

Answer: We believe that the States will have to reassess their own funding priorities in regards to support of endangered species projects and establish an equitable distribution of State funds to include endangered species activities. If the States do this, the impact on endangered species activities will be minimal. In FY 1986 we provided Arizona $70,000 for status surveys and monitoring of approximately nine species of fish. If grant funds are not available, we would expect Arizona to assess the priority of this activity relative to other State funded activities and make a judgement as to whether it deserved continued funding support.

Question: Do you believe that program requirements can be met without Federal funding?

Answer: The President's budget requests almost $25 million in Federal funding to implement the provisions of the Endangered Species Act. However, the Service believes that long-term program success will depend on the cooperative efforts of other agencies, private interests, and especially States willing to take a more active responsibility in identifying and implementing recovery activities within their boundaries.

Environmental Contaminants

Question: On page 4 you refer to a $500,000 increase over the FY 1987 level to address contaminant concerns on and off Service lands. Is this funding adequate for a "priority concern of the Service" and a critical concern of the country?

Answer: With the $22.1 million included in the President's FY 1988 budget proposal for contaminant work, the Service will be able to continue to make significant progress in identifying and mitigating the impacts of contaminants on fish and wildlife resources.

Question: Do you have trained staff at your regional and field offices to deal with environmental contaminants?

Answer: The Service has made great strides in training personnel to deal with contaminant issues and the potential impacts on the trust resources for which it is responsible. The contaminant operations arena is a relatively new area for the Service and a high level of effort has been devoted to obtaining and training the personnel who deal with contaminant issues. For the most part, the Service has solved most of the problems related to acquiring adequately trained personnel and is moving forward in an attempt to lead rather than be led by the contaminant effort.

Supplemental Contaminant Funding

Question: On page 120 you refer to several research studies of contaminants. What benefits, if any, would result from additional funding to enhance and expedite these studies?

Answer: The Service's request for FY 1988 describes the base research program in eight major areas which encompass about 100 research studies. For FY 1988, a major new area (Integrated Ecological Effects of Contaminants) is proposed as a major new thrust, incorporating the studies initiated by a Congressional add-on to the FY 1987 appropriation for contaminant research. Additional resources could accelerate the completion of research in the eight major areas. This could increase the abilities of the Service to scientifically interpret the growing body of analyses performed for field operations. Further, the development of alternative methods to residue analysis, such as biological indicators of contaminant stress, could be accelerated to extend the Service's knowledge of the consequences of environmental contaminants upon fish and wildlife. However, the Service believes that its ability to efficiently expand into this area is best represented by its proposed budget for FY 1988.

Environmental Contaminants

Question: Have action plans responding to contaminant issues been prepared for Arizona refuges?

Answer: Yes, action plans have been prepared for San Bernardino NWR, Kofa NWR, Cibola NWR, Imperial NWR, and Havasu NWR, Arizona.

Question: If so, describe findings and funding needed to resolve problems.

Answer: The FWS will prepare a study plan and complete a contaminant survey of the Yaqui River and associated aquatic areas on San Bernardino NWR during FY 1987. Funding was appropriated under the Refuge Resource Problems contaminant issues. A total of $15,000 was approved to conduct this contaminant survey.

A similar contaminant survey will be conducted at abandoned mining sites on Kofa NWR. The FWS has identified $34,000 from contaminant add-on funds to complete this investigation during FY 1987.

The Imperial, Havasu, and Cibola NWR's contaminant surveys are being conducted under the Department of the Interior's Irrigation Drainwater Studies for the Lower Colorado River, Arizona. Region 2 expects to receive all analytical results for contaminant studies conducted in Arizona by December 1987. Since we are still in the investigation stage, we are not able, at this early date, to identify funding needs to resolve problems. If any exist.

Law Enforcement

Question: I understand that a report prepared for the Director in November 1986 identified the need for 46 additional agents and 25 wildlife inspectors including 3 in Arizona--above current staffing levels. This same report identified many other significant problems. Have you taken any action to follow-up on this report? If so, describe.

Answer: Earlier this fiscal year, the Service reviewed its law enforcement operation and considered several options pertaining to the method of allocating funds and the location and size of the wildlife inspector force. Based on this review, the Service decided to fund each Regional law enforcement office, with the exception of Alaska, with a core amount to cover a base level of administration and allocate the remaining funds on a per agent basis. Because of the relative inexperience of the 20 wildlife inspectors added in late FY 1985, the Service opted to delay making any major changes in the wildlife inspector configuration until the current force has gained an adequate level of experience and expertise.

Maintenance Needs - Arizona

Question: You indicate in your request that "Previous Accomplishments will allow the Service to request a decrease of $14 million for Refuge Maintenance Needs." The implication is that maintenance needs have decreased significantly. Is this true?

Answer: Increased funding provided since FY 1984 has accomplished many projects and has resulted in a reduced need for maintenance funding.

Question: Where do we stand on the Service-wide maintenance inventory to be completed in 1988?

Answer: The inventory is being completed in three stages. Building inventories will be completed by April 30, 1987; inventories for other facilities are to be completed by June 30, 1988; and, the final stage of inventories, equipment, will be completed at a date to be determined (based on experience gained in building and other facilities inventory).

Question: Are you able to identify the principal maintenance needs in Arizona and describe how they will be affected by your proposed reduction?

Answer: All of our present and future maintenance needs are up-to-date and stored in a database located in the

Regional Office. The following table is a list of principal projects for which funding could be used due to the proposed reduction in ARMM funding.

Refuge	Project	Proposed Reduction
Buenos Aires	Building maintenance	$ 80,000
	Small projects	50,000
Cabeza Prieta	Small projects	30,000
Cibola	Rehab farm unit drainage and water systems	100,000
	Small projects	37,000
Havasu	Rehab Bermuda fields	30,000
	Small projects	42,000
Imperial	Small projects	27,000
Kofa	Resurface headquarters parking lot	25,000
	Small projects	30,000
San Bernardino	Small projects	15,000
	Total unfunded in FY 1988	$466,000

Question: You indicate on page 4 of your request that the Department has established an interagency task group to conduct in-depth analysis and studies of areas adversely affected by irrigation drainage, and that the Service will provide $1.2 million to help identify and address irrigation drainage and induced water problems. How and by whom is this analysis and study being conducted?

Answer: The irrigation drainage effort is being directed by the Department with significant involvement of the U.S. Geological Survey, the Bureau of Reclamation and the Service. The studies are designed and completed by field teams composed of members of the three bureaus. Analysis of samples, in the case of the Service, is being conducted by both contractors and in-house capability.

Question: What role will the Service perform and what specifically is the current status in Arizona?

Answer: The Service plays the primary role in design, collection, analysis, and interpretation of all biological data. The Department relies on the Service's expertise to perform the biological and analytical portions of each study.

The Department's irrigation drainage efforts in Arizona have been directed to the Lower Colorado and Gila Rivers.

Lower Colorado and Gila Rivers

Question: Department officials indicated almost a year ago that they decided to proceed with a study of the Lower Colorado and Gila River valley area in Arizona. Where do we stand on this study and what are the results so far?

Answer: The contaminant study of the Lower Colorado and Gila River Valley in Arizona is proceeding on schedule. The majority of the water, sediment, and biological samples have been collected for the Lower Colorado and Gila Rivers and shipped to the respective U.S. Geological Survey and FWS laboratories. A total of 284 biological, 14 surface water, and 13 sediment samples have been collected. Sampling activities will be concluded in the spring of 1987 with the collection of additional biological and sediment samples.

Laboratory results have been received for dissolved trace elements in 14 water samples. Preliminary interpretation of these results disclosed no levels exceeding State Water Quality Standards.

Although not all laboratory results for organic compounds and trace elements have been received, the presence of several organophosphate insecticides were detected within the study area. The significance of these preliminary results, if any, has not yet been determined. In addition, the FWS recently reported preliminary interpretations of data collected on the Lower Gila River. Those data suggest levels of DDE and toxaphene (organochlorine insecticide) that may present a threat to fish and wildlife resources inhabiting the Lower Gila River drainage.

Question: Do you still expect to complete the study in 1987?

Answer: Plans for 1987 include completion of the sampling program, compilation and analysis of data, and completion of a study report by December 1987.

Buenos Aires NWR

Question: In FY 1987, you provided a total of $363,000 in Resource Management funds for the Buenos Aires National

Wildlife Refuge--including $17,900 for endangered species recovery work. Where do we stand on implementation of the Master Plan for this refuge?

Answer: Th Buenos Aires National Wildlife Refuge Master Plan is expected to be finalized and signed in early fall, 1987. Implementation of the plan will be based on Servicewide priorities and the need to control Federal spending due to the size of the Federal deficit.

Question: What are the principal needs and to what extent can these be fulfilled with the proposed FY 1988 funding?

Answer: The FY 1987 funding for Buenos Aires has been increased from $363,900 to $414,600 due to the rejection of the FY 1987 rescission. The proposed FY 1988 funding level will be decreased to $363,900. The major maintenance projects which need to be accomplished in the future but are not included in the FY 1988 budget are building maintenance, $80,000, and small projects, $50,000. As the Refuge Master Plan has not been signed, it is premature to project what its needs will be. The needs will be considered in future budgets, however, on a priority basis.

Land Acquisition

Question: No funds have been requested for new land acquisition in FY 1988 in view of the "large area of land already in Federal ownership and the current fiscal situation." Is this position compatible with the letter and spirit of current legislation e.g., the Emergency Wetlands Resources Act of 1986, which talks about a certain amount of money annually for Federal acquisition?

Answer: A purpose of this Act is to promote, in concert with other Federal programs, the conservation of wetlands. The Fish and Wildlife Service is continuing an aggressive land exchange program to preserve wetlands by an exchange of low value wet or other Federal lands for valuable private wetlands. In addition, donations, such as those which added a 3,802-acre bottomland hardwood easement to the National Wildlife Refuge System in FY 1987, will be encouraged. These programs will further the wetland preservation purpose of the Act and at the same time respect the current fiscal situation.

Question: Assuming funds were available what new acquisition would be desirable?

Answer: The Service, using their Land Acquisition Priority System (LAPS) has developed the following priority list of proposed Land and Water Conservation Fund acquisitions. The list was approved on April 3, 1987, and supercedes all previous priority lists. The fact that a certain project is not at the top, or near the top of the list, does not mean that it does not have merit. All of the projects on the list have undergone a through review process and are consistent with the Service's needs and objectives.

National Rank	Project
1	Lower Rio Grande NWR, Texas
2	Matagorda Island NWR, Texas
3	Ash Meadows NWR, Nevada
4	San Francisco Bay NWR, California
5	Leslie Canyon, Arizona
6	Lower Suwannee NWR, Florida
7	National Elk NWR, Wyoming
8	Connecticut Coastal NWR, Connecticut
9	Alligator River NWR, North Carolina
10	J.N. "Ding" Darling NWR, Florida
11	Driftless Area NWR, Iowa
12	Tinicum NEC, Pennsylvania
13	Charles M. Russell NWR, Montana
14	Blunt-nosed Leopard Lizard, California
15	Great Swamp NWR, New Jersey
16	Trustom Pond NWR, Rhode Island
17	Patoka River NWR, Indiana
18	Great Dismal Swamp NWR, North Carolina/Virginia
19	Minnesota Valley NWR, Minnesota
20	Trempealeau NWR, Wisconsin
21	Oklahoma Bat Caves, Oklahoma
22	Tensas River NWR, Louisiana
23	Fox River NWR, Wisconsin
24	Attwater Prairie Chicken NWR, Texas
25	Kirtland's Warbler, Michigan
26	Eastern Shore of Virginia NWR, Virginia
27	Upper Miss. River NW&FR, Minnesota
28	Bayou Sauvage, Louisiana
29	Rainwater, Nebraska
30	National Key Deer NWR, Florida
31	Chickasaw NWR, Tennessee
32	Crystal River, Florida
33	St. Vincent NWR, Florida
34	Wertheim NWR, New York
35	Miss. Sandhill Crane NWR, Mississippi
36	Bon Secour NWR, Alabama
37	Swan River NWR, Montana
38	Lee Metcalf NWR, Montana
39	Bogue Chitto NWR, Louisiana

Question: Any for Arizona e.g., Leslie Canyon and Buenos Aires?

Answer: Leslie Canyon is number five in priority ranking. The proposal for the acquisition of additional private lands for Buenos Aires has not reached the Director's desk for approval, and therefore has not received a ranking.

Question: What criteria do you use for prioritizing acquisitions?

Answer: The LAPS is used as the initial ranking method to provide a uniform and objective approach to prioritizing acquisition, however, other factors such as threat, changes in population status, may override the priority. The major factors involved in this process include status and trends of the species and/or habitat involved, vulnerability, diversity, public use, and contribution to Service goals. Land and Water Conservation Funds and Migratory Bird Conservation Fund projects are prioritized separately by this process.

Acid Rain Research

Question: It appears that you are reducing your budget for acid rain effects and mitigation studies. Does this make sense now with the increasing executive branch emphasis on research?

Answer: The funding request includes $280,000 for continuation of the ecological effects of liming (Acid Precipitation Mitigation Program, APMP), which is a joint State/Federal research and development activity. The request also includes $475,000 for continued investigations of the biological effects of acid rain, which is part of the National Acid Precipitation Assessment Program (NAPAP). Acid rain research and studies totalled $955,000 in FY 1987 and $755,000 is proposed for FY 1988.

The Service believes that the continuation of its APMP until the five demonstration liming projects have concluded in FY 1991, is essential to the scientific evaluation of this technology.

Many of the effects of acid rain on natural resources are adequately documented, as evidence by the Administration's current proposal to fund demonstration technology in cooperation with industry, to control the sources of acid precipitation. What is not fully documented are the interactive effects of lowered pH on the ecological chemistry of watersheds, wetlands, and water bodies, and subsequently fish and wildlife resources. For example, acid levels in some tributaries of the Chesapeake Bay make aluminum ions more environmentally available. This results in these waters being 100 percent lethal to striped bass fry at lower concentrations of aluminum than normally expected.

Question: To what extent does the Service contribute to the National Acid Precipitation Assessment Program?

Answer: The Service's major effort under the NAPAP is to assess the biological effects of acid precipitation. In FY 1984, the Service reprogrammed $525,000 of contaminants research funding toward biological effects research as directed by Congress. The proposed budget in FY 1988 is $475,000. As current projects are completed, the Service may propose returning these funds to high priority contaminants research.

Question: Do you have any interest in expanding your research role in acid rain activities? If not, why?

Answer: The Service believes that sufficient funds are included in its budget request to address any remaining issues; therefore, expansion of the Service role in acid rain activities is not necessary.

Question: On page 8 of your justification you indicated that the Service enhancement activity provides for development of analytical techniques and methodologies to prevent or minimize adverse environmental effects. Who develops these techniques and methodologies? The Service, other Federal agencies such as EPA or contractors?

Answer: The Fish and Wildlife Enhancement activity is responsible for the field operations portion of the contaminant issue. Enhancement field personnel are responsible for developing study proposals to analyze contaminant situations that will enable the Service to answer contaminant questions and make informed management decisions. Standard techniques and methodologies for biological assessments in the field are used by the field personnel.

Chemical analyses of possibly contaminated biological samples are performed by the Service's Research and Development activity. Techniques and methodologies for the chemical analysis are developed by Service laboratories. The Service has long been recognized as a leader in the field of analyzing tissues for contaminants and in the development of new methodologies and techniques. However, the Service does view the development of techniques and methods for analysis of the complete array of new chemicals as a major future challenge.

Question: Are we using the most cost-effective approach?

Answer: To supplement the Service's in-house analytical capability, private labs are used with the Research and Development activity undertaking a quality contol/quality assurance role. With this mix of Federal leadership and core analytical capability, supplemented by the work done by private sector labs, the Service believes that the present process of analyzing contaminant samples is cost-effective.

Farm Bill

Question: Where do you stand on implementation of the Food Security Act of 1985 (Farm Bill) Conservation Provisions?

Answer: In FY 1987, the Service will direct approximately $1.55 million in support of conservation opportunities afforded by the Farm Bill. An estimated $700,000 of Pre-Development Consultation funds will be used primarily to initiate coordination with Farmers Home Administration (FmHA) in response to Conservation Set-Aside Easement and Inventory Land efforts and to interact with the Soil Conservation Service (SCS) on Swampbuster issues. In addition, approximately $550,000 of Migratory Bird Management funds has been dedicated to expanding extension and liaison efforts and $300,000 is being used for supplemental lease payments involving Conservation Reserve Program lands.

The FmHA Inventory Disposal Process presently provides the Service with the opportunity to screen inventory lands for wetlands and to formulate, and in some cases, implement wetland restoration/enhancement projects. The Service will also assist FmHA by serving as a technical consultant in the processing of easement requests in response to section 1314. The efforts will be initiated during the last quarter of this year.

The Conservation Easement Program (section 1318) will most likely be initiated later this year. The Service will provide FmHA with assistance in the selection of lands, formulation of terms and conditions, and with enforcement. In some instances the Service may determine that easement areas should be managed by the Service. In most instances the Service will assist FmHA in the location of interested management entities. An as yet unknown number of easement tracts could have the potential for implementation of wetland restoration projects.

The "Swampbuster" provision provides the Service with the opportunity to participate in the identification of wetlands, the review of exemption requests, and the issuance of regulations. The anticipated heavy workload potentially associated with on-site wetland identification efforts has not materialized. The Soil Conservation Service, through use of National Wetlands Inventory maps and soils maps, is essentially performing this task. The number of exemption requests has been small. Work on the regulations has been handled by primarily Washington Office personnel.

Through the Conservation Reserve Program (CRP), the Service has the opportunity to provide field level input to revegetation plans. The Service also has the opportunity, through supplemental payments to CRP participants, to secure additional land treatment improvements of benefit to wildlife at a minimal cost. Service field personnel, particularly in the Prairie Pothole Region, are seeking to influence revegetation plans to the benefit of nesting waterfowl. This is accomplished by providing generic revegetation criteria to appropriate Soil Conservation Service personnel. Approximately $300,000 has been expended on "piggyback" leases, involving 60,000 acres of CRP lands, in order to secure additional wildlife specific-land treatment improvements.

Question: To what extent will your budget request respond to needs identified by your regional offices?

Answer: The President's budget proposes sufficient funding for the Service to carry out its basic responsibilities under the Farm Bill. A recent review of opportunities to expand Farm Bill implementation resulted in the following additional Service proposals:

Direct Habitat Restoration ($1,500,000/0 FTEs): Funds would be used by Service field personnel to restore wetlands in lands made available under the Farm Bill. Distribution of the funds would focus on priority waterfowl habitat areas identified in the North American Waterfowl Management Plan, areas of historic wetland loss and areas having the greatest potential restoration opportunities. Existing Service personnel and equipment would be utilized in the restoration projects. Cooperative ventures with State fish and wildlife agencies and private conservation entities would also be explored.

Expand Coordination Activities ($1,400,000/28 FTEs): Funds would be used to expand coordination efforts with the Soil Conservation Service (SCS), Farmers Home Administration (FmHA), private landowners, conservation groups and State fish and wildlife agencies. Service coordination with the SCS would focus on the need for wetland restoration and dense nesting cover improvement through the Conservation Reserve Program, incorporation of beneficial vegetation management actions in Conservation Compliance plans, and the determination of wetlands and evaluation of exemption requests under the Swampbuster Program. Other needs that may exist will be reviewed and prioritized along with other Service responsibilities in future budget requests.

Fish Hatcheries/BIA/USFWS

It appears that the Fish and Wildlife Service (FWS) and the Bureau of Indian Affairs (BIA) tentatively reached agreement on funding for the Alchesay and Williams Creek Fish Hatcheries in Arizona for FY 1987. Funding for operation and maintenance of these hatcheries seems to be a recurring problem since their transfer to the BIA.

Question: In your view, what would be the best solution to this continuing funding controversy?

Department Comment: The present system of funding whereby BIA budgets for the Quinault, Williams Creek, Alchesay, and Mescalero fish hatcheries, which are operated by the Fish and Wildlife Service under a Memorandum of Agreement (MOA), apparently has not functioned adequately to fully meet the needs of the BIA, FWS, or the tribes. Both the BIA and the FWS have different perspectives about the questions asked in this section; consequently, the views of both agencies are provided here.

Answer:

Fish and Wildlife Service View: The process of annually negotiating a Memorandum of Agreement (MOA) to provide the funds to cover this assistance is difficult but not insurmountable for both agencies. BIA budgets for funds that are primarily for a Service-implemented program in order for BIA to provide the most direct linkage with the principal beneficiaries of these fishery service. The Service must then plan, staff, and implement a program for which it has only limited input in determining budgetary needs. Both agencies incur some overlapping administrative costs associated with budgeting and implementing. Since negotiations cannot be finalized until Congress completes the appropriations process, a portion of the fiscal year has often passed before funding details are worked out, the MOA is signed, and funds are actually available to the Service. Because the hatcheries and assistance stations funded involve ongoing operations with permanent staffs and recurring maintenance needs, it is difficult to operate the facilities in an effective and efficient manner; however, we are continuing to work on improvements to the process.

Bureau of Indian Affairs' View: The Bureau agrees that the negotiating of a Memorandum of Agreement each year is somewhat burdensome; however, we have no problem with continuing this process. BIA believes that a principal goal of the current arrangement is for tribes to develop the necessary capabilities to assume responsibility for these hatchery operations. The Bureau believes that it has been responsive to the FWS funding needs as expressed in negotiations over the past three years. Although the MOA may not be finalized until well into the fiscal year, the appropriated funds have been used to manage and operate these hatcheries while the negotiations have proceeded. The BIA has adequately supported FWS operations while affording tribes every opportunity and encouragement to develop their own capabilities and programs.

The following table displays the funds provided to this program by both the BIA and the FWS from 1981 to 1987.

FUNDING ASSOCIATED WITH FWS OPERATED FISH HATCHERIES AND FISHERY ASSISTANCE STATIONS INVOLVED IN TRIBAL TECHNICAL ASSISTANCE
($000)

Station	Agency 2/	Fiscal Year 1/						
		1981	1982	1983	1984	1985	1986	1987 1/
Olympia Fish Health 4/ Center, WA	FWS	42	49	50	88	88	105	102
	BIA	-	-	-	-	-	76	76
Olympia FAO, WA 4/	FWS	370	504	318	352	353	460	479
	BIA	-	-	-	212	153	-	-
Quinault NFH, WA	FWS	213	207	247	64	0	3	0
	BIA	-	-	-	208	266	254	281 3/
Alchesay/Wms Creek NFH, AZ	FWS	364	304	229	88	46	100	83
	BIA	-	-	101	253	347	337	369
Parker FAO, AZ	FWS	46	46	0	11	0	7	13
	BIA	-	-	40	40	42	40	40
Pinetop FAO, AZ	FWS	118	106	22	1	0	2	8
	BIA	-	-	77	77	81	86	86
Mescalero NFH, NM	FWS	168	174	59	0	0	1	20
	BIA	-	-	151	184	211	202	211
Lander FAO, WY	FWS	129	98	27	1	1	3	18
	BIA	-	-	58	158	166	151	151
Vernal FAO, UT	FWS	17	30	4	3	0	1	15
	BIA	-	-	30	30	32	30	30
Valentine FAO, NE 4/	FWS	82	77	72	78	79	72	90
	BIA	-	-	-	15	16	15	15
Kalispel/Creston FAO, MT	FWS	149	134	96	0	0	0	0
	BIA	-	-	33	35	37	36	80
Gallup FAO, NM 5/	FWS	102	85	6	2	-	-	-
	BIA	-	-	78	78	-	-	-

1/ Amounts for 1981-1986 represent actual expenditures; 1987 is budgeted amount

2/ Amounts shown represents funds provided by the respective agencies. A dash (-) indicates no interagency agreement for that year.

3/ Amount includes $26.5 one-time maintenance funds provided by BIA for 1987 only.

4/ FWS funds shown include non-Indian activities also conducted at station.

5/ BIA funding terminated; Gallup FAO closed at the end of FY 1984.

Question: Would it be preferable to have the hatcheries returned to the FWS?

Answer:

Fish and Wildlife Service View: It would relieve many of the administrative problems inherent in the present MOA system by placing the budgetary responsibility with the agency charged with operating and maintaining the facilities and providing the technical assistance. An "Agreement on Policy: Trusteeship of Tribal Fishery Resources", signed by the Assistant Secretaries for Indian Affairs and Fish and Wildlife and Parks in 1984, recognizes the Service as the Department's principal scientific authority on fishery matters and states that the Service shares with the Bureau the obligation to assist in fulfilling the Secretary's Indian trust responsibilities. By placing responsibility for the fishery activities in question in one agency, the involved tribes, who presently must deal with BIA relative to budgetary questions and the Service relative to actual field work, would be better able to direct the provided assistance toward what they view as their most critical resource problems or issues. In the future, as the tribes develop the expertise and move to assume operation of the hatcheries, the O&M funds could be shifted to the self-determination fund in the BIA appropriation. Or, in the case of fish and wildlife technical assistance, the Service's capability could be redirected toward other tribes desiring assistance.

Bureau of Indian Affairs View: The four hatcheries in question are located on Indian reservations and serve primarily Indian beneficiaries. The Bureau of Indian Affairs and several tribes operate over 60 fish production facilities on other reservations. Thus expertise exists to carry out these programs which are Indian programs.

Thus, there would be a disadvantage to transferring these funds to the FWS budget. BIA believes that FWS policies and budget priorities, since 1976, have resulted in the termination of many Indian assistance operations and the proposed termination of other Indian assistance operations, including those associated with the four hatcheries covered under the MOA, or at least a downgrading of Indian-related responsibilities. It was for these reasons that the funds for two of the four hatcheries were transferred to BIA in FY 1984.

Transferring funding from BIA to FWS could also be viewed as a change in the policy of Indian self-determination. Tribes have made considerable strides in developing the expertise to manage their fisheries programs. These efforts should not be discouraged, and co-management by tribes and local jurisdictions is a vital factor in assuring a cooperative spirit in the management of these fishery resources. Retention of funding in the BIA budget would provide assurance to the tribes that operation of these hatcheries would be uninterrupted, that Indian self-determination is supported by the Congress and the Administration, and that the tribes' continued efforts to develop their fishery management capabilities would continue.

Question: What has happened to the levels of fish production at the Arizona hatcheries since they were transferred to the BIA?

Answer:

Fish and Wildlife Service View: In 1981 fish production at Alchesay/Williams Creek was 150,000 pounds. Fish production during the period 1982 through 1986 averaged 149,200 pounds per year. However, the Service did inform the BIA in March of this year that, based upon proposed funding for FY 1987, production would have to be reduced from that planned. Subsequently, in April, the BIA agreed to fund the hatcheries at the level necessary to produce the planned fish. The Service cannot presently maintain fishery management activities at 1981 levels.

Bureau of Indian Affairs View: The Bureau has provided adequate fish production funding to the Service for the hatcheries, and we intend to continue doing so.

Question: How much funding would be necessary in bringing the hatcheries up to the standard they were at in FY 1981?

Answer:

Fish and Wildlife Service View: The Bureau of Indian Affairs' budget request for FY 1987 identified $1,339,000 for technical assistance and hatchery operations carried out by the Fish and Wildlife Service. The Bureau and the Service are presently finalizing negotiations on the agreement for the work to be done with these funds in 1987. The Bureau also informs us that their budget request for FY 1988 includes $1,227,000 for the Service assistance program.

Also, the Bureau has been unable to provide sufficient funds to properly meet all facility maintenance needs at the hatcheries although the highest priority needs have been met. As a consequence, the Service has routinely contributed varying amounts of funds toward the needs of the program. A backlog of lower priority unmet maintenance needs has developed at the involved hatcheries. We estimate that approximately $1,800,000 would be required to provide the technical assistance desired by the tribes and to meet the highest priority facility maintenance needs. A breakout includes:

Technical Assistance	$ 475,000
Hatchery Operations	$ 839,000
Critical Maintenance	$ 486,000
	$1,800,000

In addition, lower, but of still significant priority technical and operational concerns in Arizona and New Mexico are estimated to require $244,000.

Bureau of Indian Affairs' View: BIA's FY 1988 request of $1,227,000 is adequate for the FWS to operate the four hatcheries. However, we agree that this request does not include funds for maintenance and renovation. Since the tribes are the primary beneficiaries of the fishery resources from these four hatcheries, the tribes could use their own resources for any renovation or maintenance projects if the benefits outweighed the costs. It should be noted that when the hatcheries were transferred to BIA from FWS, no funds for renovation or cyclical maintenance were transferred, and no funds have been added to the base since then for these purposes.

Department Conclusion: The Department agrees that the situation at present is not satisfactory. For FY 1988, we believe that the current management arrangement should be continued since policy officials have not had an opportunity to address this matter with appropriate supporting data. As part of the FY 1989 budget review process, the Department will address this issue considering such options as:

- continuing the present arrangement but at a higher funding level to address operation and maintenance needs more fully;
- transferring responsibility for budget coverage to the Fish and Wildlife Service; or
- transferring operational responsibility totally to BIA and ending FWS involvement.

Sport Fish Restoration Transfer

BACKGROUND: The Fish and Wildlife Service is proposing a one-time $25 million transfer from the Wallop-Breaux Trust Fund of the Sport Fish Restoration Account to the Resource Management Account. Prior to 1986, funds for the Wallop-Breaux Trust Fund were derived from a special tax levied on fishing equipment. The expansion includes a portion of the gasoline taxes paid by users of motorboats and the import duties on fishing equipment and pleasure boats. As a result of this expansion, funding for this program jumped from $38 million in FY 85 to $141 million in 1987. The estimated proceeds for this account in 1988 are $174 million. After the $25 million transfer, there will still be an increase of $8 million in this account (approximately $149 million). The transfer will, however, lower the potential increase that the States could have expected.

NOTE: Mississippi received $1.2 million in 1986 and approximately $1.8 million in 1987. It is estimated that Mississippi would receive approximately $2.4 million in 1988. With the $25 million transfer, Mississippi stands to lose about $350,800 in 1988. The Mississippi Department of

Fish and Wildlife Conservation and all the fishing groups in Mississippi strongly oppose this transfer.

Question: Wasn't the Wallop-Breaux Trust Fund set up with monies earned from taxes levied on sports fishermen?

Answer: The Sport Fish Restoration Account of the Wallop-Breaux Trust Fund is composed of revenues from excise taxes on sport fishing equipment, taxes on gasoline used in motorboats, import duties on fishing equipment and pleasure boats, and interest earned on investments.

Question: With the exception of 5% for administration costs, aren't the remaining Wallop-Breaux monies supposed to be reallocated to the sports fishing industry?

Answer: After deducting up to 6% for administrative purposes, the remainder is apportioned to the States for sport fishery projects.

Question: How will the transfer of these funds affect State projects for improvement of boating access throughout the States?

Answer: A provision of the Sport Fish Restoration Act is that States must use at least 10% of their apportioned funds for fishing access facilities which will accomodate motorboats. Therefore, of the proposed transfer of $25 million, $2.5 million would have been allocated for boating access facilities.

Question: How will it affect projects for technical research, and aquatic education programs?

Answer: The impact on other activities cannot be determined. Additional funds apportioned to the States would be used by each State to meet their own sport fish program needs. Since the Fish and Wildlife Service is not a party to the selection of the States' priority needs, there is no basis for the Service to determine those activities which would not be funded.

Question: Can States expect the transfer of funds to curtail projects that were planned with the increased revenue in mind?

Answer: It is doubtful that the transfer would curtail any planned work, since the estimated $174 million FY 1988 deposits in the Sport Fish Restoration Account is higher than original expectations and would provide an $8 million increase over FY 1987 levels. During the legislative considerations of increasing funds in the Dingell-Johnson

Program, the States had testified of needs of $120 million to $130 million per year. Even the current year program has far exceeded these levels.

Endangered Species Listing

Question: $250,000 was added in FY 1987 to expand the number of status surveys conducted for candidate species by approximately 20 species. These funds were not requested in FY 1988 because you feel that the current base of $237,000 is sufficient. How many status surveys will be conducted in FY 1988?

Answer: The cost of a status survey can vary from a few hundred dollars to $20,000 or more, depending upon the extent of the area to be surveyed, the current state of scientific knowledge concerning the species and its range, and other features unique to each species. At a funding level of $237,000, between 50 and 60 status surveys could be expected to be funded.

Question: What are your plans with the data collected with the additional FY 1987 funds?

Answer: The results of 1987 surveys will be used to refine the assessment of the status of the species surveyed. This ideally should allow surveyed category 2 species to either be removed from listing consideration or referred to category 1. For those species referred to category 1, survey results will also aid in assigning relative priority for listing.

Question: Will this proposed reduction have an impact on listing output? If not, why?

Answer: There should be no immediate impact on the rate of listing with approximately 900 species now assigned to category 1. Category 1 species can, in most cases, be proposed for listing without further detailed status surveys. The species proposed, however, could be different from those that would have been if additional category 2 species had been found to warrant high priorities for listing as a result of status surveys.

Question: $250,000 was provided in FY 1987 for pre-listing recovery activities to screen all candidate species to identify the opportunities for such pre-listing action. Have any opportunities been identified?

Answer: The funds in question were proposed for recission and only recently restored. Screening is still in preliminary stages. Examples of the types of activity expected to be identified are (1) a cowbird control program to benefit the black capped vireo and (2) fencing of habitat by the Bureau of Land Management to protect the Hualapai vole from grazing animals.

Question: If any are identified, how will the Service proceed to minimize direct funding from endangered species?

Answer: The Service will attempt to enlist voluntary cooperation from the entities responsible for managing the land affected.

Question: Will there be any difference between the way you proceed between private interests and Federal interests?

Answer: The precise means employed to effect pre-listing conservation are likely to depend more upon the individual characteristics of the species and land uses involved than the nature of the agency responsible for their management. The Service's Regions will have to approach this activity on a case-by-case basis.

Endangered Species Consultation

Workload	1986	1987	1988
Formal consultations conducted	420	460	510
Informal consultations conducted	10,500	13,600	17,700

Question: You have requested a reduction of $300,000 in FY 1988 in the consultation program. These were primarily one-time in nature and used to accelerate the implementation of the Endangered Species Information System (ESIS). It is expected that this system will be operational by early in FY 1988.

Even with this essentially level request, your workload data indicates that formal consultations will increase by 10 percent and informal consultations will increase by 25 percent. How do you explain this workload increase without an increase in funds?

Answer: The largest increase in the consultation workload is in informal consultations. These consultations are less complex than formal consultations and thus take less time to conduct. Additionally, with the implementation of ESIS, informal, as well as formal, consultations will be conducted more efficiently. We believe this will compensate for the increase in the total number of consultations conducted by the Fish and Wildlife Service.

Question: How much of the increase in workload stems from implementation of the Endangered Species Information System?

Answer: None. The increase stems primarily from the anticipated increase in the number of species listed.

Endangered Species Recovery

Question: A $710,000 decrease (11 percent) is proposed in FY 1988 in the recovery program. This decrease is applied to only five recovery programs: red wolf, Aleutian Canadian goose, Hawaiian forestbirds, Puerto Rican parrot and the Peregrine falcon. While this is only a 10 percent decrease for the program, it is a 54 percent decrease for these recovery programs. How many recovery programs are you funding in FY 1987?

Answer: Approximately 100 recovery projects will be conducted this fiscal year.

Question: How were these five recovery actions selected?

Answer: The recovery funding proposed for reduction represent levels beyond the requirements proposed in the President's budget. The Service can continue critical recovery efforts for these species at reduced levels from base funding.

Question: What private sources have you identified to make up the $300,000 reduction in the Peregrine falcon program and how much has each pledged?

Answer: The Service has not identified any private sources to make up the $300,000 reduction in the Peregrine Fund program. However, the Peregrine Fund has a current budget of over $1 million a year and we believe it will remain a viable active program with reduced Service support.

Grants to States

Question: In order to save $4.3 million, you have not requested funds in FY 1988 for grants to States program. Your justification indicates that there will be an impact on the programs.

You feel, however, that adequate opportunities exist from private individuals and corporations for the States to secure additional resources to continue their endangered species programs. In the correspondence I have had with States, none have indicated a plentiful source of revenue from individuals and corporations ready to make up the gap. Do you have a list of private contributors willing to make up pay for this program? Are you sharing your list of private contributors with States?

Answer: The Service does not maintain a list of private contributors or solicit private funding support for the endangered species activity. However, we do believe that more must be done to encourage private individuals (e.g., through tax check-off programs) and corporate interests to contribute to endangered species conservation. The Fish and Wildlife Foundation has proven that efforts to solicit resources for wildlife conservation can be successful. At a minimum, we do hope States will reassess their own funding priorities and make an equitable distribution of their monies to include high priority endangered species projects.

Ecological Services
Environmental Contaminants

Question: Federal agencies are expected to require clean-up of hazardous waste sites by liable parties or, when a liable party cannot be identified, to use appropriated funds to effect clean-up. Fifty-eight sites on Service lands are in various phases of the site investigation/feasibility study and/or remedial action process. On approximately 75 percent of these sites, the responsible private parties or the Department of Defense are or will be carrying out the needed studies or corrective action. What is the status of the remaining 25 percent of the sites?

Answer: Five National Wildlife Refuges are subject to contaminants from hazardous waste sites that are upstream from, but not on, the Refuges. The Service is monitoring those situations and working with EPA and responsible parties to resolve the problems. An additional ten sites on Service lands are still under study by the Service and EPA to determine the extent and nature of hazards involved. In some of these cases, responsible parties are being sought, and in the remainder of the Service itself will take appropriate action.

Alaska Pilot Study

Question: In FY 1987, the Service will complete a pilot statistical survey of wetland acreage in Alaska. This pilot will help determine how many study plots will be needed for a complete statistical survey of wetland acreage in Alaska. Using the information developed during the pilot, the

Service will determine the cost of a complete survey and pursue cost-sharing agreements with other agencies interested in Alaska wetlands mapping. How far along is this pilot?

Answer: All the pilot plots have been selected, all aerial photographs have been obtained and 80 percent of the interpretation of those photographs has been completed. We still need to complete 20 percent of the interpretation, as well as, area measurements, and analysis of all the data. The final report will be completed by September 30, 1987.

Question: Have you explored cost-sharing agreements with other agencies?

Answer: The pilot was largely paid for by the Corps of Engineers, with funding from the National Oceanic and Atmospheric Administration used to draw the samples and acquire the photos for the coastal zone. After the pilot is completed and firm cost estimates to finish the mapping job are available, the Service will then pursue the potential for additional cost sharing with other interested agencies, such as the Bureau of Land Management, the National Park Service, the U.S. Forest Service and, possibly, the Defense Department.

Question: Is there any interest in cost-sharing from the private side?

Answer: We have not explored cost-sharing from the private sector to date.

National Wetlands Inventory Workload

	1986	1987	1988
Percentage of counterminous U.S. mapped (cumulative)	45.5%	51%	56.5%
Percentage of Alaska mapped (cumulative)	12%	14%	16%

Question: The justification indicates that completion of the mapping of the contiguous U.S. will remain a Service priority in FY 1988. It does, however, seem that the Service may be utilizing the Alaska pilot study as a method to shift the priorities from the contiguous U.S. to Alaska. Does the Service want to make Alaska more of a priority in FY 1989 and beyond?

Answer: The Service is not utilizing the Alaska pilot study to shift the priorities from the contiguous United

States to Alaska. Completion of mapping the contiguous United States by September 30, 1998, will remain the first priority.

Question: If so, will the focus be shifted through the use of appropriated funds or through increased cost-sharing?

Answer: Since many Federal and State agencies have expressed a need for more precise estimates of wetland acreage in Alaska, the Service is in a position to take advantage of cost-sharing opportunities where available. If interest in cost-sharing the Alaska work does not materialize, Alaska will become the Service's top priority for completion in compliance with the requirements of the Emergency Wetlands Resources Act of 1986 (P.L. 99-645).

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

Gray Wolf

Question: What is the status of the gray wolf recovery plan?

Answer: Because of the controversial nature of the wolf recovery program and the many possible or perceived impacts and concerns associated with it, additional review and evaluation of the draft recovery plan were necessary. On December 30, 1986, the Fish and Wildlife Service distributed the draft revised Northern Rocky Mountain Wolf Recovery Plan to interested or affected groups and agencies for review. To facilitate the incorporation of comments received during the review period, a Content Summary Analysis was conducted. The content analysis is now being used by the Service's regional and field offices to help identify appropriate changes and/or additions needed in the plan. Once this process is completed, the plan will be sent to the Service's Washington, D.C. Office for review by the Director.

Question: When can we expect final approval and release of the plan?

Answer: We expect a final decision on approval of the recovery plan soon after the review process is completed, with submittal to Washington for the Director's review anticipated in June 1987. Once approved, the plan will then be printed, and should be available one to two months from time of approval.

Wolf

Question: As you are aware, there are some potentially serious conflicts associated with the proposed recovery of the wolf in the West. However, due to the efforts of a few of the more reasonable environmental organizations such as Defenders of Wildlife to work with stockmen and other commodity interest groups dependent upon the use of Federal lands for their livelihood, we may yet be able to recover the wolf in appropriate areas.

Members of my staff have spent the past few days in Minnesota with a group representing diverse interests, discussing problems and successes being experienced in the program there.

There are some projects that I would like to suggest be strongly considered for addition to your current Minnesota efforts. They will not be costly, but may provide us with answers that could well spell the difference between success and failure of recovery efforts in the West.

First, a survey is needed to compare the losses of sheep and cattle on farms outside the wolf recovery area in Minnesota with those experienced on farms with chronic predation problems.

Second, a 2-year examination of calf losses on a chronic farm is needed in order to be able to make a better determination as to whether wolves or coyotes are actually to blame for the majority of the loss. This issue is especially important in the context of discussion surrounding the pros and cons of livestock compensation programs.

Finally, relocation has not been successful in solving predation problems in Minnesota. Most wolves that are captured and relocated return to their old territory despite the distances sometimes involved. A study where one or more depredating alpha pairs were captured, radio collared and relocated as many times as is necessary until they no longer return to the capture site would help researchers and managers to determine whether or not wolves could eventually be persuaded not to return at all. Such information might ultimately be useful in preventing the death of wolves that would otherwise be destroyed in order to halt predation.

The value and practicality of these studies were discussed during the Minnesota meeting. Staff's opinion is that such studies would be relatively inexpensive in relation to the potential enhancement of our knowledge about how to better deal with wolf management problems.

Answer: The three studies recommended could produce information important to recovery of wolves in Minnesota. We have provided preliminary study descriptions and costs below.

Title: Comparison of Rates and Causes of Cattle and Sheep Mortality in Chronic Wolf Depredation Areas of Minnesota with Areas Outside the Wolf Range

Scope: Information on livestock losses would be collected via telephone survey. Statistically valid samples of ranchers in chronic wolf depredation areas, as well as outside the wolf range but still in northern Minnesota, would be selected and surveyed relative to the rates and causes (known vs. suspected) of livestock losses, especially numbers of livestock that cannot be found. An attempt would be made to select farms from within and without the wolf range that are similar as possible, to correct for farm management practices, size of farm, presence of alternative predators, percent of pasture that is wooded, etc.

Cost: $25,000/year, for 1 year.

Title: Determining Cause of Calf Losses at a Minnesota Farm Suffering Chronic Wolf Depredation Problems

Scope: A farm from which calves disappear regularly without known cause would be selected. Mortality transmitter collars with expandable neck bands would be placed on calves (or a random sample of calves) born in the spring before cows and calves are turned onto open pasture. The herd would be monitored daily. Whenever a transmitter comes on (indicating mortality) the carcass would be visited immediately and cause of death determined.

Cost: $69,000 for year 1; $47,000 for year 2 - (116,000 Total)

Title: Determining the Practicality of Breaking the Homing Tendency of Wolves by Repeated Relocations

Scope: Six adult wolves (three males and three females) would be captured, fitted with radio collars, and translocated within Minnesota's primary wolf range. Wolves would be relocated via aerial or satellite telemetry frequently enough to monitor movements. Any wolf that returned to within 15 miles of its capture site would be recaptured and returned to the release site. If necessary this procedure would be repeated up to six times to test the return persistence of the wolves.

Cost: $109,000/year, for 1 year.

Grizzly Bear

Question: I am becoming more and more concerned about the process of setting and using recovery goals and targets for endangered species. It appears that the closer we get to achieving a target that has been agreed upon as the criteria for delisting a species, the more likely it becomes that we can expect a change in the rules or, at least, backpedaling by researchers and biologists who set the rules in the first place.

People seem to have developed a mentality that once a species has been listed, it is impossible to continue the mangement and protection without the cover of the Endangered Species Act. I do not agree with that concept nor do I believe that. We have learned a lot over the past decade about how to do a better job. But in the process, a lot of researchers have also discovered that as long as a critter remains on the list, it is a relatively easy matter to obtain Federal research money for continuing study. They are thus able to maintain funding pet projects regardless of whether or not such efforts are actually necessary to keep their subject from becoming extinct.

I believe we are seeing some of that in the grizzly bear recovery program. Let me illustrate by using the Selkirk ecosystem of northern Idaho.

Biologists have evidently only recently discovered that there are grizzlies in the Selkirks, a fact that has been known by those who work in the area for many years. The recovery plan for the Selkirks calls for a recovered, viable population of 70-90 bears. I have been told that figure includes bears located in the contiguous habitat on the Canadian side of the border. Is my understanding correct?

Answer: Biologists have known for the past few years that there were grizzlies in the Selkirks, but the exact number of bears and amount of habitat available were in question. The States of Idaho and Washington have used Section 6 Grant-In-Aid monies to continue research in this ecosystem to determine bear movements, home range, and habitat use. This work is scheduled to continue in 1987. Research over the past few years has shown a dramatic increase in the known number of bears in this ecosystem. The original recovery plan for the bear, approved in 1982, did not establish a goal of 70-90 bears for the Selkirks. Rather, it stated that, "a greater commitment by state wildlife agencies and federal and state land managers to determine the present status of the population and the extent and quality of occupied grizzly bear range is needed before a viable population goal can be estimated." The goal of 70-90 bears has been used only recently, and may be established as a definitive goal for the Selkirk ecosystem during revision of the recovery plan. Such a goal would include bears located in the contiguous habitat north of the Canadian border. The grizzly bear population in the Selkirks represents possibly one of the most robust populations in the lower 48 States. This is due in part to its proximity to carefully managed grizzly habitat in Canada and the ongoing protective efforts and cooperation among all involved agencies. Although as little as four years ago there was some doubt whether grizzly bears were even present in this ecosystem, continuing research and careful management, as well as the fact that the ecosystem connects with Canadian bear habitat, result in a favorable outlook for this population.

In regard to revising recovery goals and targets, it is the intent of the Fish and Wildlife Service to ultimately delist all listed species, when such species no longer require protection under the Endangered Species Act. A species will qualify for delisting only when it has been determined, after conducting a thorough review of the species' status using the best scientific and commercial data available, that it is no longer threatened due to any one of the following factors: (1) present or threatened destruction, modification, or curtailment of its habitat or range; (2) utilization for commercial, sporting, scientific, or educational purposes at levels that detrimentally affect it; (3) disease or predation; (4) absence of regulatory mechanisms adequate to prevent the decline of a species or degradation of its habitat; and (5) other natural or manmade factors affecting its continued existence.

In the case of many recovery plans, the original recovery goals were established when very little was known about the species in question. Thus, as more information is obtained and more is learned about the needs of the species, it is only logical that recovery goals may also need modification. This is not done to perpetuate the listing of the species, but rather to ensure that the species is truly qualified for delisting based on the best information available. The grizzly bear recovery plan was written in 1980 and signed in 1982. Since that time, considerable research has been conducted, resulting in a lot of new information on the bear, its habits, habitat needs, and distribution. In the original recovery plan, recovery targets were defined on the basis of information then available. However, in many cases, this information was not quantifiable or indicative of a viable population. Revision of the goals will establish recovery criteria for maintaining viable populations in each ecosystem and will assure that these recovery criteria can be monitored.

Question: I also understand that there is some real doubt among biologists that enough habitat is available within the U.S. portion of the Selkirks to support anywhere near that number of animals. Would you please comment on that?

Answer: Studies continue to document the habitat use in this ecosystem and to map available grizzly bear habitat. Recovery targets now being developed for the Selkirks will probably consider Canadian bears as well as those that reside on the U.S. side of the border. This is because there may not be suitable bear habitat in the U.S. portion of this ecosystem to support 70-90 grizzly bears. Many bears constantly move back and forth across the border. Continuing coordination with Canada is essential to assure a constant flow of animals across the border and thus maintain the health of the population.

Question: I understand too that biologists have confirmed a minimum of 24-26 bears in the Idaho portion of the Selkirks. Since the bear is not endangered or threatened in Canada, why do you insist on using Canadian populations as a part of the criteria for recovery when we have no control over what happens up there? Wouldn't it be more reasonable to establish a recovery goal based upon what we can control?

Answer: Unfortunately for wildlife and land managers, wildlife populations do not recognize boundaries defined by land managers. Those bears living in the Selkirk ecosystem are part of a larger grizzly population, most of which lives in Canada. Some of these bears regularly move back and forth across the U.S. Canadian border. Maintaining such gene flow is essential to preserving the genetic integrity of the population. We cannot divide habitat into clearly defined parcels, especially when dealing with a far-ranging species like the grizzly bear and hope to succeed in recovering the species. It should also be pointed out that four of the six existing grizzly bear ecosystems are contiguous with and dependent upon Canadian grizzly populations. Thus, it is truly critical that we maintain coordination and cooperation between the wildlife managers and policy-makers in both countries. In actuality, maintaining such a cooperative working relationship should not be that difficult. Canada does have a very professional, conservation-oriented wildlife management program, and has shown interest in and commitment to preserving the bear. In fact, Canada is an invitee to the Interagency Grizzly Bear Committee, and Canadian biologist have been appointed as members on the Northwest ecosystems and North Continental Divide ecosystem subcommittees.

Question: If there is not enough habitat to support a viable population as required by the Endangered Species Act, why do we even consider the area for recovery? It appears to me that the real reason is to provide support for the recovery of the animal in areas that would not qualify under other circumstances.

Answer: The Fish and Wildlife Service and all Federal agencies are mandated to conserve listed species. Since the grizzly bear is listed throughout the conterminous 48 United States, the protections of the Endangered Species Act apply to all of the areas where the bear is known to occur. When the grizzly bear was listed and development of a recovery plan initiated, considerable discussion took place on what would be needed for recovery of the species. It was decided at that time to identify those areas where grizzly bears still existed and to attempt recovery in those areas. In the conterminous U.S., only six areas were found that contained either self-sustaining or remnant grizzly populations. As stated before, four of these areas (the North Cascade, Selkirk Mountain, Cabinet-Yaak, and Northern Continental Divide ecosytems) are contiguous with and dependent upon Canadian grizzly populations.

Question: I also understand that Canadian researchers stated at the IGBC meeting in Denver last December that there are at least 108 bears in the Selkirks on the Canadian side of the border. If my addition is correct, that means that there are currently at least 132-134 bears in the ecosystem. That is 40-50 percent above the recovery goal. Why has the delisting process not been initiated?

Answer: After carefully reviewing the minutes of the December IGBC meeting, and checking with the Canadian researcher present at that meeting, we cannot confirm any record of an estimated population of 108 bears being presented. At present, we are not aware of any data for grizzly bear numbers in the Canadian portion of the Selkirk ecosystem. The only gross estimate of grizzly numbers available is for the Kootenay Region, which covers some 29,708 square miles. Approximately 650 bears are estimated to exist in this vast area, most inhabiting the northern part of the region far from the U.S. Canadian border. In the U.S. portion of the Selkirks, six bears have been captured and the population may be in the range of 20-25 bears. However, most of these bears occupy an area directly along the border and spend part of their time in Canada and part in the U.S. Thus, the population certainly does not yet appear to be at the recovery level.

Piping Plover

Question: The Fish and Wildlife Service was to have identified critical habitat for the Piping Plover by early this year. What is the status of that report?

Answer: Region 5, our Northeast Region, is preparing a draft proposal delineating critical habitat for the Atlantic Coast population of the Piping Plover. That draft proposal will be submitted to Washington, D.C. by September 30, 1987.

Question: Do you intend to impose any moratoriums on construction, use, or the disturbance of critical habitat or important Plover nesting areas?

Answer: The U.S. Fish and Wildlife Service cannot impose moratoriums except on lands under our control. We can make recommendations to other Federal agencies such as the Corps of Engineers, National Park Service, Department of Defense, etc., as part of the Section 7 Consultation process which may result in projects being modified or cancelled if serious impacts to the plovers result. One example of this is the dredging work the Corps is responsible for. If nesting areas are likely to be adversely impacted, we might recommend a change in project timing or placement of the pipes or whatever else might lessen the impact to the birds. We stress, however, that these recommendations are advisory, though normally the agencies have been willing to comply.

Question: What precautions are being taken along the Atlantic Coast and the shores of States such as Wisconsin that border portions of the Great Lakes and which may be important to the survival of the plover? What plans do you have for insuring that plover nesting areas will be protected this spring?

Answer: Regional and field staff have met repeatedly with State and Federal agencies to seek their help and to explain the importance of protecting the birds on their nesting grounds. Grant funding was provided to eight coastal States to enable them to better protect and monitor nesting populations of plovers. The Service provided training on plover biology and habitat requirements to our Ecological Services field staff to help them deal with potential conflicts between plovers and threats to their habitat.

Regarding plover populations in the Great Lakes Region, Michigan has imposed a closure order prohibiting trespass on all occupied nest sites on State lands. Admonitory signs have been erected and the areas are patrolled. Along the shores of Lake Superior, Michigan is adding gravel to sand bars and conducting vegetation control programs to entice piping plover nesting. Also, Michigan Department of Natural Resources has appointed a State recovery team to prepare a piping plover recovery plan.

In Wisconsin, most plover habitat is in the Duluth-Superior harbor area. Dredging spoils have been designated as bird sanctuaries and wildlife management areas, and trepass is prohibited. The spoils have been enhanced as plover nesting sites by adding gravel and controlling vegetation encroachment. The management activities have been done in an attempt to improve habitat as well as to entice plovers to move from areas that are heavily used by man.

Along the Atlantic coast the Service has closed sections of beaches on six National Wildlife Refuges this spring to protect important plover habitat and, hopefully, increase their productivity and chances of survival.

Eastern Red Wolf

Question: What is the status of the eastern red wolf recovery effort?

Answer: The purpose of the current effort is to reestablish a wild population of red wolves, the first time that such a project has ever been attempted for an animal which is extinct in the wild. Four pairs of red wolves were brought to Alligator River National Wildlife Refuge, North Carolina, from captive breeding facilities on November 12, 1986. They are currently being held as pairs in 2,500-square-foot acclimation pens located in various acres of the refuge. Since February 1987, wolves have been eating road-killed prey species. Two pairs have been allowed to breed, although it is not known yet whether either female has become pregnant. Wolves will be fitted with "capture collars" having both radio transmitters, for tracking purposes, and radio-controlled darts, to tranqualize animals in the unlikely event that they stray off the refuge and must be recaptured. Releases are scheduled for this June.

Question: Have any releases been made? If not, when do you expect to begin those releases?

Answer: The releases of the wolves will be staggered over a 2-week period in June of this year. The releases will be "soft", i.e., pen gates will simply be tied open and wolves allowed to leave at their own pace, with no media attention. They will be monitored by aircraft, boats, and ground vehicles. Post-release studies of wolves and their prey will be continued for several years. Two additional pairs are scheduled to be brought to the refuge in October for acclimation and release during the spring of 1988.

Interest in Establishing a Cooperative Fish and Wildlife Research Unit in Arkansas

Question: What funding level would be required to establish a fully staffed, operational combined cooperative wildlife and fishery research unit in Arkansas?

Answer: The current estimate of necessary funding to establish a combined Cooperative Fish and Wildlife Research Unit is $200,000.

Question: Has the Service quantified the value of the research conducted throughout the Cooperative Research Units program?

Answer: The value of research conducted by the program has not been quantified. The total monies spent by the program in FY 1986 was approximately $19,000,000, including all contributions of Cooperators and all funds contributed by all sources for conducting research projects.

Question: On average, what percentage of a combined Unit's operating budget is funded by the Fish and Wildlife Service?

Answer: Considering only the basic operational costs, not including support for actual research projects conducted, the estimated average Service contribution to a combined Unit, expressed as a percentage, was 53% in FY 1986. This estimate is necessarily rough because of the inability to accurately quantify in-kind goods and services that are part of the State and university cooperator's contributions.

Question: In our discussion during his appearance before the Senate Interior Appropriations Subcommittee, Director Dunkle mentioned the possibility of entering into a Memorandum of Understanding with the University of Arkansas and the Arkansas Game and Fish Commission for funding of a cooperative research unit in Arkansas. In the event authorization is given to the establishment of a cooperative unit in Arkansas, what would the Service propose in such a memorandum?

Answer: The Cooperative Agreements under which Cooperative Units operate say that:

> The Service will provide three Federal scientific employees, qualified to serve on the graduate faculty of the university, to staff the Unit; cooperate in the planning and development of programs of the Unit; permit the Service employees assigned to the Unit to teach graduate courses in their areas of expertise as part of the university curricula; and periodically provide funds to foster specific projects of interest to the Service or other Cooperators.
>
> The University will provide secretarial services, offices, laboratory space and other services and facilities mutually agreed upon; accounting and financial services for handling Unit funds from Cooperators and other granting agencies; appoint the Unit staff to the graduate faculty of the university and allow them the normal privileges of graduate school faculty; and cooperate in the planning and development of the program of the Unit.

The State will make available such facilities, equipment, personnel and lands that are mutually agreed upon; provide a basic monetary contribution to the Unit for use as administrative support for the Unit in addition to the funds mutually agreed upon for the conduct of specific research projects of interest to the State; and cooperate in the planning and development of programs of the Unit.

National Fish Hatcheries in Arkansas

Question: What is the FY 1987 operating budget for the Greers Ferry Hatchery? The FY 1988 request?

Answer: Greers Ferry NFH Hatchery operating budgets

FY 1987	$218	6 FTE's
FY 1988	$223	6 FTE's

Question: What is the FY 1987 operating budget for the Norfolk Hatchery? The FY 1988 request?

Answer: Norfolk NFH operating budgets

FY 1987	$574	10 FTE's
FY 1988	$429	10 FTE's

Question: What is the justification for this decrease in funding at the Norfolk Hatchery?

Answer: Norfolk NFH operation and maintenance funding for FY 1987 ($574) includes a one-time, emergency replacement of a broken water line ($150), leaving a base funding of $424. FY 1988 operation and maintenance funding at $429 and 10 FTE's provides for full, unreduced operation of the Norfolk NFH.

Question: The Service recently completed an analysis of Federal fishery mitigation requirements being carried out by the Service. Does this report in any way alter the Service's position on it's mitigation responsibilities relative to the Federal fish hatcheries in Arkansas?

Answer: The Service's recently completed analysis of Federal mitigation requirements in Arkansas as carried out by the Greers Ferry and Norfolk National Fish Hatcheries, does not alter the Service's position on its mitigation responsibilities relative to the Federal fish hatcheries in Arkansas. The analysis clarified the definition of required mitigation responsibilities and recognized that the Arkansas hatcheries were in fact authorized by Congress and constructed for the purpose of production and stocking of mitigation fish. The analysis did not attempt to set or reduce fish production levels currently established jointly by the Service and the Arkansas Game and Fish Commission. Initially when the White River water development projects were proposed, studied and subsequently constructed, total mitigaton requirements for the basin were not addressed. Over the years, fragmented assessments were made, but none addressed the total requirements or attempted to establish fish production goals. A joint fisheries meeting is scheduled in Little Rock during May - June of 1987 to revise and update the Service/State fisheries cooperative agreement, and the Service mitigation fish stocking requirements will be addressed and hopefully agreed upon at that time.

Cache River National Wildlife Refuge Land Acquisition

Question: How much land has thus far been acquired for inclusion in the Cache River National Wildlife Refuge?

Answer: As of April 20, 1987, 5,908 acres have been acquired at a cost of $3,092,615.

Question: How much do you anticipate acquiring in FY 1987?

Answer: In FY 1987, we plan to obligate $2,500,000 for the acquisition of approximately 4,500 acres.

Question: How much do you anticipate acquiring in FY 1988?

Answer: In FY 1988 we plan to acquire 3,600 acres for $2,250,000. Funds will be available from the Migratory Bird Conservation Account.

Question: Is the administration structure in place for management of the Cache River National Wildlife Refuge?

Answer: The Administration of Cache River NWR has been combined with Wapanocca and Big Lake NWR's, both of which already have staff and funding. No new staffing has been added to the project, but steps have been taken to move an Assistant Refuge Manager from Big Lake NWR to the immediate vicinity of Cache River NWR. We are providing a part-time presence at Cache River to post boundaries of newly acquired tracts and to monitor timber trespass and other potentially illegal uses of refuge land. Funds currently allocated to Wapanocca and Big Lake will be used to provide oversight and administration.

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

Cape Romain NWR

Question: What is the current status of Jack's Creek Pond at the Cape Romain wildlife refuge in light of the January 1 storm along the South Carolina coast? What steps are being taken to save the pond?

Answer: The Jack's Creek impoundment on Bull Island, Cape Romain refuge suffered additional and continuing dike erosion from the January storm, While beach erosion enroached into the actual dike itself, ocean water did not actually breach the dike. An onsite evaluation and the practicality of the construction of an emergency "fall back" dike has been completed. Equipment, manpower, and funds have been reallocated to build this 1/2 mile long emergency dike. Work will begin in May and should be completed within 3 months. This dike will offer a few years protection to the impoundment from the routine and normal beach erosion that the island is experiencing. No type renovation or repair will protect the impoundment from the ravages of a hurricane.

Question: What will be the cost involved in repairing the dike that surrounds the pond?

Answer: The repair costs are estimated roughly $30,000.

Question: What is the Dominick House currently being used for? Is the house being maintained? How much has been spent on maintenance over the last year?

Answer: The Dominick House is currently used as a crew quarters for personnel whose duties occasionally require them to stay overnight on Bull Island. The house is being maintained. An estimated $10,000 has been spent on the facility within the last 5 years, with $1,788 being spent this last fiscal year.

Question: What is the current status of the construction of the boat dock on Bull Island at Cape Romain? Funds for this construction have been available for some time.

Answer: The preliminary A & E work has been completed by the Denver firm at Merrick, Colorado. A contract for the project is expected to be awarded by September 1987. Completion date for the repair of the existing dock and the construction of a public dock portion is expected to be completed by March 30, 1988.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

National Forensics Lab

Question: Nearly $1.7 million was appropriated in FY 1987 for establishment of a national forensics laboratory within the Service. Subsequent to the appropriations and after a national survey and investigation, Ashland, Oregon, was selected as the site for the forensics lab. Please provide the Committee a status report on the obligation of FY 1987 appropriated funds which were earlier proposed for rescission; planning and actual construction activities of the lab; and the status of staff relocation requirements associated with the lab.

Answer: Although these funds were included in the Administration's proposed rescission, they have been restored and the project is proceeding on schedule. Work drawings, specifications, and contact documents have recently been completed allowing this project to be advertised for bid immediately following the required notice in the Commerce Business Daily. It is expected that a construction contract will be awarded in July 1987, ground breaking will occur in September 1987, and the project will be operationally complete by July 1988.

Recruitment for the lab director and immediate staff has been started and it is expected the lab director will be selected by August 1987. After this appointment, several other key jobs will be filled to facilitate an orderly transition into the new facility.

Question: Please provide a timetable for completion of construction and staff relocation along with information on any additional funding requirements which may be necessary in FY 1988.

Answer: Operating funds of $250,000 were included in the Service's FY 1987 budget, but are not in the President's FY 1988 budget because of the construction period of the project.

Additional Analytical Facilities

Question: Concurrent with the forensics law enforcement capability, FWS tests for environmental contaminants in a variety of wildlife species. However, that capability is under a contract service and is not maintained "in-house". Moreover, only a few samples are actually tested out of hundreds of specimens that are referred to the Service. Finally, while the majority of contaminant cases arise from the western United States, no west coast contaminant testing capability exists and instead specimens are transported to contractors in the midwest and far eastern United States. Given the severe contaminant problem at this time, is the Service fully prepared to handle the ever increasing volume of critical contamination cases nationwide?

Answer: In the past, the Service had access to four qualified facilities for sample analyses. Our in-house facility, the Patuxent Analytical Control Facility, provides emergency analyses for the field and continuing quality assurance for analyses conducted by contracts. Three contract laboratories, including a west coast facility near Seattle, Washington, currently provide routine (non-emergency) analyses. By the end of FY 1987, the Service intends to add at least seven qualified contract laboratories.

Question: Would not a west coast capability substantially aid the FWS in responding more quickly and allow the agency to test a greater number of samples than currently can be handled?

Answer: Although the largest increase in demand for contaminant analyses prior to FY 1987 was related to irrigation drainage issues in the western states, current and future demands will change. For example, the monitoring of the National Wildlife Refuge System for contaminant problems has a broad geographic context. A complicating factor is that most samples are collected in a few months (spring through summer). This results in a large volume of samples arriving at analytical facilities over a few months; in some cases, the entire yearly capacity is received in this short timeframe.

With modern overnight air shipment, physical location is not a limiting factor. The most effective solution is to have an adequate number of qualified private sector laboratories. With this arrangement, the seasonal bulge of Service samples can be distributed in such a manner that no single facility is overwhelmed. If the Service processed a large percentage of its samples in-house, either the seasonal bulge would be processed throughout the year, resulting in a backlog, or the facility would be enlarged and then underutilized for half the year.

Question: Would it be possible to develop such a capability in conjunction with the forensics lab being established in Ashland, Oregon?

Answer: Although it would be possible to establish another in-house facility in conjunction with the Ashland, Oregon, forensics lab, the Service believes that the most efficient option is to utilize capabilities that currently exist in the private sector.

Northern Spotted Owl

Question: Management of the Northern Spotted Owl has become a major issue within both the Forest Service and the Bureau of Land Management for which research and supplemental environmental data is currently being collected. Recently, the FWS received a request to add the Northern Spotted Owl to the endangered species list. Who submitted the request and when was it submitted?

Answer: Green World, of Cambridge, Massachusetts, submitted a petition to list the Northern spotted owl as an endangered species. The petition was received by the Fish and Wildlife Service on January 28, 1987.

Question: What is the timetable for action on the request and where do we currently stand?

Answer: To the maximum extent practical, within 90 days of receipt of a petition, the Fish and Wildlife Service determines whether or not a petition presents substantial scientific or commercial information that warrants action on the petition. The Service has received additional information requiring analysis since the original submission of the petition. This issue is presently still under consideration by the Service.

Question: What procedure is used in arriving at a decision on whether or not to list a species?

Answer: If the Fish and Wildlife Service determines that a petition presents substantial scientific or commercial information it commences a review of the status of the species. This comprehensive review is conducted by the Fish and Wildlife Service from data collected from all relevant sources. The review is to be completed within one year after receipt of a petition, at which time the Service makes the determination whether or not listing is warranted. Where it is found that listing is not warranted, such finding is published in the Federal Register. Where it is found that listing is warranted, the Service publishes a notice in the Federal Register with a proposed regulation to implement the action. The Service may postpone promulgation of a regulation when it finds listing the species to be warranted, but is precluded because of other pending proposals to list, delist, or reclassify species.

A proposal to list a species is subject to public comment as part of the rulemaking procedures. After reviewing all of the comments and information submitted during an open comment period, a final rule, or a decision to withdraw the proposal, is published in the Federal Register. Final action on a proposed rule is due within one year of its initial proposal, although that period may be extended by up to 6 months.

Question: Is it the responsibility of the FWS to gather all the pertinent data about the species in question or is your decision based solely upon information provided by those outside the agency?

Answer: The Fish and Wildlife Service considers all relevant data in formulating decisions about species which may be endangered or threatened. Consultation is sought with affected states, interested persons, and organizations and other affected Federal agencies. Data reviewed may include scientific or commercial publications, administrative reports, information received from experts on the subject, and comments from interested parties.

Question: In considering the request, will FWS examine recent data regarding second growth forest stands as a suitable habitat for the owl?

Answer: In conducting a status review to examine the merits of listing species as endangered or threatened, the Fish and Wildlife Service will examine all available relevant data, including information which pertains to habitat.

Question: Would you please provide a summary of the conclusions drawn from that information on the suitability of second growth timber stands?

Answer: The Fish and Wildlife Service has not drawn any conclusions regarding the suitability of second growth timber stands for owl habitat. If the Service conducts a status review of the species, all relevant data on habitat will be collected and considered.

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

Fish and Wildlife Enhancement Program

Question: One purpose of the Fish and Wildlife Enhancement Program is to prevent species from becoming extinct and to return them to the point where they are no longer threatened. The Endangered Species Grants-to-States section of this program is extremely important to the wildlife program in Mississippi, as well as other states. In 1986, these monies supported research on the Mississippi Sandhill crane and the bayou darter--only a portion of the threatened and endangered species in Mississippi.

There are no proposed funds in the Grants-to-States section of the Fish and Wildlife Enhancement program for FY 1988. This is a proposed reduction of $4.3 million for 1987 appropriations. How many programs might be curtailed because of the unavailability of these grants to States?

Answer: Although exact numbers are not known, some of the lower priority activities will undoubtedly be curtailed as a result of a reduction in Federal funding support. The States should reassess their own funding priorities in regards to support of endangered species projects and establish an equitable distribution of State funds to include endangered species activities. If the States do this, the impact on endangered species activities will be minimal.

Question: How will this affect multi-year programs that were begun based on the availability of these grants (i.e., Mississippi's 3-year program to study the life history requirements of the bayou darter)?

Answer: As previously mentioned, we would advise them to reassess their own funding priorities and continue support of the bayou darter study if it is determined to be of high priority within the State.

Question: Absent this funding, many worthy endangered species recovery projects might remain unfunded. Does this increase the possible loss of species?

Answer: We do not believe so. The Service does not intend to allow any recovery task that has been identified as Priority 1 (necessary to prevent extinction) to go unsupported.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

Biennial Budget Cycle

Question: Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriation matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year. Would your department/agency favor a biennial budget process?

Answer: The Interior Department would favor biennial budgeting as long as the workload related to formulation within the Executive Branch and presentation to the Congress were not increased beyond the very demanding schedule that now exists.

Question: What benefits would your agency achieve in a two-year appropriation cycle?

Answer: Although the Service has not formally evaluated the potential impact of a two-year appropriation cycle, benefits could accrue from improved continuity of funding from year-to-year, less time required for planning and preparation of annual justification documents, and increased analysis of base programs.

Question: Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer: Approximately 80 to 85 percent of the funding remains constant, however, there are substantial annual variations in application of funding. These variations include reallocation of cyclical maintenance funding, changes in priorities such as location of contaminant studies or cleanup projects, identification of new research projects, and opportunities to undertake specific endangered species recovery actions.

Question: What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer: Difficulties could arise in presenting and describing the two year program in a manner that is understandable and provides sufficient flexibility to address changing priorities without creating increased reprogramming requirements.

Question: Would you expect to realize any budget savings if you could plan your agency budget on a two-year basis? If so, could you estimate how much?

Answer: Because there are no clear indications of what process will be implemented, it is difficult to quantify the savings that could occur from this cycle. For example, if appropriations hearings on two-years of funding were to occur every year, we would anticipate only limited savings. If the hearing process occurred only every other year, there is a greater chance that some savings could accrue within the Service. However, it is possible that the execution of the budget in terms of reprogramming requests, for example, could become more complex.

Question: If you oppose the biennial budget concept, please give the subcommittee your reasons why.

Answer: Within the limited scope of information currently available the Service would favor biennial budgeting as long as the workload were not increased beyond the schedule that now exists.

BIA Hatcheries

Question: Numerous Tribal governments and conservation groups have suggested that funding for Service fish production and wildlife technical assistance be transferred from BIA to the FWS. What is your response?

Departmental Comment: The present system of funding whereby BIA budgets for the Quinsult, Williams Creek, Alchesay, and Mescalero fish hatcheries, which are operated by the Fish and Wildlife Service under a Memorandum of Agreement (MOA), apparently has not functioned adequately to fully meet the needs of the BIA, FWS, or the tribes. Both the BIA and the FWS have different perspectives about the questions asked in this section; consequently, the views of both agencies are provided here.

Answer:

Fish and Wildlife Service View: The BIA and Service both serve as agents of the Secretary of the Interior in implementing his Indian trust responsibilities. We both agree on the goal of tribal governments ultimately assuming responsibility for the scientific management of their natural resources.

Most of the funding associated with the technical fish and wildlife management assistance and fish propagation was originally in the Service's budget. In FY 1982, it was suggested that the funding of this activity should be assumed by the BIA. Accordingly, much of the funding was transferred from the Service to the BIA in subsequent Department of the Interior budget proposals (FY 1982-84). Although Congress agreed in principle and transferred the funds as proposed, it clearly expressed its intent that the technical assistance should continue until such time that the affected tribes were ready and willing to assume this responsibility. Hence, the Service/BIA annual Memorandum of Agreement (MOA) was devised to continue the Service's assistance activities with funds appropriated to the BIA.

The process of annually negotiating an MOA to provide the funds to cover this assistance is difficult, but not insurmountable, for both agencies. BIA budgets for funds that are primarily for a Service implemented program. The Service must then plan, staff, and implement a program for which it has only limited input in determining budgetary needs. Both agencies incur some overlapping administrative costs associated with budgeting and implementing. Since negotiations cannot be finalized until Congress completes the appropriate process, a portion of the fiscal year has often been passed before funding details are worked out, the MOA is signed, and funds are actually available to the Service. Because the hatcheries and assistance stations funded involve ongoing operations with permanent staffs and recurring maintenance needs, it is difficult to operate the facilities in an effective and efficient manner, however, we are continuing to work on improvements to the process. We would be supportive of specific actions that might increase the efficiency and effectiveness of our service to the tribal governments.

Bureau of Indian Affairs View: The four hatcheries in question are located on Indian reservations and serve primarily Indian beneficiaries. The Bureau of Indian Affairs and several tribes operate over 60 fish production facilities on other reservations. Thus, expertise exists to carry out these programs which are Indian programs.

Thus, there would be a disadvantage to transferring these funds to the FWS budget. BIA believes that FWS policies and budget priorities, since 1976, have resulted in the termination of many Indian assistance operations and the proposed termination of other Indian assistance operations, including those associated with the four hatcheries covered under the MOA, or at least a downgrading of Indian-related responsibilities. It was for these reasons that the funds for two of the four hatcheries were transferred to BIA in FY 1984.

Transferring funding from BIA to FWS could also be viewed as a change in the policy of Indian self-determination. Tribes have made considerable strides in developing the expertise to manage their fisheries programs. These efforts should not be discouraged, and co-management by tribes and local jurisdictions is a vital factor in assuring a cooperative spirit in the management of these fishery resources. Retention of funding in the BIA budget would provide assurance to the tribes that the operation of these hatcheries would be uninterrupted, that Indian self-determination is supported by the Congress and the Administration, and that the tribes' continued efforts to develop their fishery management capabilities would continue.

Question: What level of funding would the Service require in order to operate the fish hatcheries and do the requested technical assistance?

Answer:

Fish and Wildlife Service View: The Bureau of Indian Affairs' budget request for FY 1987 identified $1,339,000 for the technical assistance and hatchery operations carried out by the Fish and Wildlife Service. The Bureau and the Service are presently finalizing negotiations on the agreement for the work to be done with these funds in 1987. The Bureau also informs us that their budget request for FY 1988 includes $1,227,000 for the Service assistance program.

Also, the Bureau has been unable to provide sufficient funds to properly meet all facility maintenance needs at the hatcheries although the highest priority needs have been met. As a consequence, the Service has routinely contributed varying amounts of funds toward the needs of the program. A backlog of lower priority unmet maintenance needs has developed at the involved hatcheries. We estimate that approximately $1,800,000 would be required to provide all technical assistance desired by the Tribes and to meet the remaining highest priority facility maintenance needs. A breakout includes:

Technical Assistance	$ 475,000
Hatchery Operations	$ 839,000
Critical Maintenance	$ 486,000
	$1,800,000

In addition, lower, but of still significant priority are technical and operational concerns in Arizona and New Mexico estimated to require $244,000.

Bureau of Indian Affairs View: BIA's FY 1988 request of $1.227,000 is adequate for the FWS to operate the four hatcheries. However, we agree that this request does not include funds for maintenance and renovation. Since the tribes are the primary beneficiaries of the fishery resources from these four hatcheries, the tribes could use their own resources for any renovation or maintenance projects if the benefits outweighed the costs. It should be noted that when the hatcheries were transferred to BIA from FWS, no funds for renovation nor cyclical maintenance were transferred, and no funds have been added to the base since then for this purpose.

Departmental Conclusion: The Department agrees that the situation at present is not satisfactory. For FY 1988, we believe that the current management arrangement should be continued since the policy officials have not had an opportunity to address this matter with appropriate supporting data. As part of the FY 1989 budget review process, the Department will address this issue considering such options as:

- continuing the present arrangement but at a higher funding level to address operation and maintenance needs more fully;
- transferring responsibility for budget coverage to the Fish and Wildlife; or
- transferring operational responsibility totally to BIA and ending FWS involvement.

Question: The BIA assumed the funding of several FWS stations in New Mexico in FY 1983 and 1984. What is the status of these facilities?

Answer: Mescalero NFH has an operating budget that has kept pace with inflation through FY 1987, but no maintenance funds were provided. The Gallup Fisheries Assistance Office was closed in FY 1984. Arrangements were made to have the BIA and tribes assume these former office operations. Some tribes in New Mexico, including the Navajo Nation, which was the primary beneficiary of Gallup Office services, support having the tribes develop the capabilities to perform their own fish and wildlife resource program.

Question: How does the fish production of these facilities compare now with that of FY 1981?

Answer: Mescalero NFH is producing fish at a level comparable to those produced in 1981.

National Fishery Research Center-Gainesville

Question: Could you please explain why, as construction of the National Fishery Research Center in Gainesville, Florida nears completion, you are proposing a reduction in funding for staff positions? It is my understanding that to fully utilize the lab, approximately 20 employees will be required. Currently there are 8 employees. The proposed reduction would leave a skeleton crew of a mere 5. Hardly a sufficient number of staff for the primary U.S. Fish and Wildlife Fishery Research Center in the Southeast United States. It seems unfortunate to spend money to build a facility only to fail to provide adequate staff.

Answer: The funds and staff identified for reduction at the National Fishery Research Laboratory, Gainesville were appropriated as an add-on in FY 1986 and were used for specific studies. Base funds and staff identified in the President's Budget reflect priorities identified during the budget process. These base funds are sufficient to support the priority projects presently underway at the facility.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until Tuesday, April 21, 1987, at which time we will receive testimony from the Bureau of Indian Affairs. Thank you.

[Wherepon, at 3:52 p.m., Wednesday, April 8, the subcommittee was recessed, to reconvene at 2 p.m. Tuesday, April 21.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

TUESDAY, APRIL 21, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Dennis DeConcini presiding.

Present: Senators DeConcini, Reid, McClure, Stevens, and Nickles.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

STATEMENT OF HON. ROSS O. SWIMMER, ASSISTANT SECRETARY, INDIAN AFFAIRS

ACCOMPANIED BY:

- **RONALD L. ESQUERRA, DEPUTY TO THE ASSISTANT SECRETARY, INDIAN AFFAIRS**
- **FRANK A. RYAN, DEPUTY TO THE ASSISTANT SECRETARY, INDIAN AFFAIRS (TRUST AND ECONOMIC DEVELOPMENT)**
- **HAZEL E. ELBERT, DEPUTY TO THE ASSISTANT SECRETARY, INDIAN AFFAIRS**
- **RONALD D. EDEN, DEPUTY TO THE ASSISTANT SECRETARY, INDIAN AFFAIRS (ACTING DIRECTOR, OFFICE OF INDIAN EDUCATION)**
- **LINDA L. RICHARDSON, ACTING CHIEF, DIVISION OF PROGRAM DEVELOPMENT AND IMPLEMENTATION**
- **ROBERT LAMB, CHIEF, DIVISION OF BUDGET OPERATIONS**

PREPARED STATEMENT

Senator DECONCONI. The subcommittee will come to order.

The committee will take up the fiscal year 1988 budget request of the Bureau of Indian Affairs. Testifying on behalf of the Bureau will be the Assistant Secretary of Interior for Indian Affairs, Mr. Ross Swimmer.

The fiscal year 1988 budget request for the Bureau of Indian Affairs is $985,988,000, a reduction of $33,847,000 below the fiscal year 1987 appropriation to date.

Welcome, Mr. Swimmer, we are glad to have you here. Your full statement will be placed in the record. Ms. Linda Richardson, we are glad to have you join the Secretary. You know as much about this operation as anybody does.

Mr. Secretary, please proceed.

[The statement follows:]

STATEMENT OF ROSS O. SWIMMER

Mr. Chairman and Members of the Committee, I welcome the opportunity to appear before you to provide an overview of the fiscal year 1988 budget and to discuss various initiatives proposed to be undertaken by the Bureau of Indian Affairs.

The fiscal year 1988 budget request for the Bureau of Indian Affairs totals $984,988,000 in new budget authority, a decrease of $33,847,000 below fiscal year 1987 appropriations to date. The decrease is primarily attributable to reduced new construction which is not a high Bureau priority. Other major adjustments include a reduction of $6,600,000 for the one-time cost of the White Earth Trust Fund and an increase of $13,628,000 to carry out the provisions of the White Earth Settlement Act, the Old Age Assistance Act, and the Gila Bend Indian Reservation Lands Replacement Act.

Beginning this year, the Bureau will make a concerted effort to provide for local control and operation of the elementary and secondary education programs which are currently being run directly by the Bureau of Indian Affairs. The Bureau will first concentrate on efforts to increase the number of tribal contracts for school operations. This, of course, is entirely consistent with the Indian Education and Self-Determination Act. This process will encourage reservation-wide contracts in place of the current system in which individual school boards are contracting for the operation of single schools. This will allow for the establishment of tribally controlled public school districts which should provide noticeable benefits to the schools, namely: standard policies for attendance and planning, since the children could be tracked in one system from elementary grades through high school; the possibility for more shared services and shared personnel to increase the overall curriculum offerings; and a greater base over which to spread administrative costs than is possible for contracts which cover only one school.

It is important to note that the vast majority of Indian parents have already opted to educate their children in public schools. Approximately 90 percent of all Indian children now attend public schools, and almost half of the Bureau-funded day schools are presently operated under tribal contracts. In the past, the Bureau has waited for the tribes to approach it requesting a school contract. The Bureau will now take the initiative, requesting that the tribes seriously consider contracting for additional schools. While multi-school contracts are preferable, the Bureau will take no action to disrupt any ongoing contractual arrangement with local school boards. If tribes or school boards do not wish to contract for the school operations, the Bureau will work with the states and local public school districts to provide quality education for students currently enrolled in Bureau operated schools.

In the area of higher education, the Bureau has requested $500,000 to provide initial funding for the Endowment program authorized by the Congress for Tribally-Controlled Community Colleges. Local or private contributions invested in Federally insured banking or savings institutions will be matched on a dollar-for-dollar basis with Federal funds, in a limited amount, and the investment income will be available to a portion of the colleges' operating expenses. We believe that this program will contribute to college self-sufficiency, increase tribal pride of accomplishment, and lead the way to eventual fiscal freedom from dependency on the Federal appropriations process.

Because practically all publically financed post-secondary institutions require the payment of at least a minimal fee, it is proposed that the three colleges operated by the Bureau (Haskell Indian Junior College, Southwestern Indian Polytechnic Institute, and the Institute for American Indian Arts) also collect a small tuition fee of approximately $850 per student. This will cover approximately 10 percent of the institutions' operating expenses, which is comparable to the percentage of Tribally-Controlled Community Colleges Costs covered by tuition revenues. Students attending these institutions will, of course, have access to both Bureau scholarship funds and to other Federal grant and loan programs to assist in meeting this cost. Once the board of regents and new president have been appointed for IAIA, in accordance with provisions of Public Law 99-498, which establishes IAIA as a separate independent entity, any tuition charges or fees will be based on the policies developed by that board.

The Bureau also intends to submit to the Congress proposed legislation, patterned on the Indian Health Service scholarship program, which will require a "payback" of funds received pursuant to the special higher education scholarships by requiring a service period either in Bureau or tribal employment. No payback is proposed to take effect prior to FY 1989.

Another major initiative proposed by the Bureau is the Economic Self-Assistance Program which will require recipients of General Assistance payments to enroll in a training, an education, or a jobs program to maintain eligibility for General Assistance benefits. The Bureau program provides benefits to those individuals and households who are not eligible for Aid to Families with Dependent Children or for other state supported welfare programs. A number of the recipients are single adults, childless couples, and families with both parents in the home. Following consultation with Indian tribes and interested Congressional Committees, regulations will be proposed which will allow the combination of funds budgeted for Adult Education, Adult Vocational Education, Direct Employment, and General Assistance to support a coordinated program to provide training and/or job opportunities in a concerted effort to move individuals from the General Assistance rolls to private sector jobs.

A corollary effort will involve the Business Opportunity Centers, funded during fiscal year 1987, as well as other privately or tribally financed enterprises to provide new employment opportunities in Indian country. While the fiscal year 1988 budget includes only the Bureau's Housing Improvement program as one possible source of jobs for General Assistance recipients, it is hoped that as the program develops, tribes will view a wide range of Federally and tribally supported positions, such as natural resource development, mining and minerals, and social service positions, as employment possibilities for General Assistance recipients.

For most Americans, productive employment represents a reliable measure of self-esteem. Many areas of Indian country have had no opportunity to participate in the mainstream of this nation's economy due to a number of perceived problems ranging from the trust status of Indian lands to lack of a trained work force and a scarcity of developable natural resources.

The Bureau realizes that there is no one answer which will solve the economic problems in Indian country; rather, each reservation must be viewed individually to determine a course of action which can make best use of the natural and human resources available, identify the shortcomings, and provide a means to address specific needs which will lead to economic prosperity on the reservations.

The absence of a stable employment and economic base on Indian reservations has contributed significantly to the much higher than average consumption of alcoholic beverages on Indian reservations. Congress addressed this issue last session in passing the Anti-Drug Abuse Act of 1986. There can be no question that alcohol abuse is a major problem on many reservations, but our view is that treatment of the alcoholism does not sufficiently address the underlying problem--which is a dearth of self-esteem often resulting from insufficient meaningful employment opportunities available in Indian country. While we acknowledge the need to provide medical treatment for alcohol abusers, there must be a viable alternative to drinking for that individual at the end of the treatment program. Through the Economic Self-Assistance program, we hope to be able to direct individuals into rewarding educational or training programs which will not only provide a means of financial support, but as importantly, provide a means of emotional support which has been missing in many areas of Indian country.

The Bureau has been working closely with the Indian Health Service through a joint task force to determine the best uses of the Anti-Drug Abuse Supplemental monies that were provided in fiscal year 1987. During the current year, the Bureau will develop curriculum materials for schools and devise training components for the tribal courts program to address the specific concerns relating to the handling of juvenile offenders with drug and alcohol abuse problems. Funds are requested in fiscal year 1988 to provide the full year costs of school counselors for substance abuse, while the training components of the programs which were funded in fiscal year 1987 will be continued within available resources. As part of the Bureau's ongoing facilities repair and improvement program, separate facilities will be provided in Bureau jails for juvenile offenders.

While the needs of the individual are being addressed, the Bureau continues to recognize its responsibilities to assess and assist in tribal government and natural resource development. Four major program initiatives are proposed to address these areas of vital concern.

Recognizing that there are divergent developmental levels in management sophistication among tribal governments, and that small tribes, especially, have unique needs related to solidification and stabilization of their governments, as well as management of their federally supported program functions, the Bureau is proposing to spend $6,800,000 to assist small and/or "troubled tribes". This includes a $3,979,000 program increase to provide both formula-based funding and specialized technical assistance to small tribes' governments whose abilities to function effectively as sovereign governmental entities are threatened by financial difficulties, or whose identified financial problems could escalate into paralyzation of important tribal governmental activities.

Linked closely with this first initiative is an intensive effort of the Bureau to address the area of fund allocation among tribes. Because all tribes are not at the same stage of development in their governmental and economic activities, the Bureau recognizes that it must determine a way of rationally distributing funding, technical assistance, and other Federal resources to most fairly and effectively fulfill its responsibilities to the tribes. As a result, our request includes $700,000 to perform special studies to identify objective and impartial methods of funding which will most effectively deliver programs to all tribes. Tribal consultation will be essential in this effort in order to discover the funding bases and funding mechanisms which can best serve each tribe and to develop an overall plan to address all Bureau program funding in a consistent and fair manner. Individual tribal priorities can then be emphasized for future program requests based on documented tribal needs and accomplishments.

The third related Bureau initiative which strongly affects tribal self-sufficiency efforts is based upon development and management of natural resources. Information regarding current ownership of Indian lands is vital, not only to the individual owners, but also to tribes seeking ways to develop incomes from trust lands. For several years, efforts in this important program area have been hampered through the enormous burden of examining land records and verifying and updating their accuracy. The Land Records Information System (LRIS) contains records of land ownership for which the Bureau has trustee responsibility. The information in the system is being updated daily by five title plants, but an enormous backlog remains. Hard record copies borrowed from the National Archives and Records Service over thirty years ago are still in the possession of these plants and are disintegrating through constant manual use. Since these important documents were already over thirty years old at the time of their retirement to the archival depository, it becomes increasingly crucial to the Bureau and to the tribes to return them to a protected atmosphere before their historical value is destroyed.

The requested increase of $2,000,000 for land records improvement and $531,000 in the land records program will fund coordinated efforts for: microfilming and return of hard copy land title records to a protected environment; improving tracking of land management records to afford current ownership, royalties, income and funds management data; finalizing organizational study efforts related to effectiveness of consolidation of title plants; and developing an effective integrated data base management system interfacing with the trust system.

The final initiative in the Bureau's coordinated efforts to provide effective resource management is in the area of trust fund management. In FY 1988 the Bureau will receive the majority of its investment services through a private contract with a major financial institution. The contract firm will, within Bureau-established guidelines, improve the management of trust funds to maximize investment returns and ensure reliable and investment accounting. Contracting is expected to improve financial investment advisory activities for individual Indians by providing professional services. In addition, the Bureau has established a special unit in the trust fund accounting organization to streamline collection and disbursement service delivery. Contracts to expedite cash collection, deposit and distribution will be developed and managed from this unit which is charged with the rapid conversion of the present system to the improved contract mode, with emphasis on contract management and systems support.

An increase of $1,790,000 is also projected for improving field operations through additional trained staff to account for and disburse individual Indian monies derived from sales and leases of lands, per capita payments and judgment awards, and revenue investments.

In addition to these four programmatic initiatives, in order to increase flexibility at the local level, the Bureau is seeking to streamline the complex budgeting and contract support processes. For fiscal year 1987, the Bureau had sought to combine all Tribe/Agency funds into one account to allow for increased program flexibility at the local level. While Congress did not approve this change in the budget structure for the current fiscal year, the Committees on Appropriations have agreed to allow the Bureau to propose a revised structure for the coming fiscal year, placing the Tribe/Agency funds as a separate line item within each of the major functional categories: Indian Services, Trust Responsibilities, Natural Resources, Economic Development and General Administration. The Bureau believes that this will preserve the integrity of the appropriations process while providing additional local flexibility to use funds within defined categories for essential services.

The Bureau is also proposing that it be given greater flexibility to respond to tribal reprogramming requests through revisions to the reprogramming guidelines, increasing discretionary authority either in the form of a higher Bureau-wide limit for tribally requested administrative reprogrammings within the Tribe/Agency subactivity or by withdrawing the current $250,000 reprogramming limitation.

To simplify the determination of contract support costs in the P.L. 93-638 process, the Bureau proposes establishing a flat administrative allowance to cover indirect costs associated with tribal contracting. This fee will provide a more equitable distribution of funding for tribal overhead costs of operating programs. During FY 1987 the Bureau will transfer all contract support funds from program accounts and return them to contract support. This, combined with undistributed contract support funds and a budget increase of $1,774,000, will provide a total of $42,787,000.

It is our belief that with these programmatic and administration initiatives, the Bureau can provide an integrated self-help program for Indian tribes and individuals to allow assumption of local obligation for not only responsibility, but accountability, for addressing the development of human and natural resources in Indian country.

OPENING STATEMENT

Mr. SWIMMER. Thank you, Mr. Chairman. I appreciate the opportunity of being here today. I have with me the deputies who work in the respective areas of trust responsibilities, Indian services, education, and administration. I may, from time to time ask them to come forward and answer some of the questions.

We do have a very comprehensive and complex budget. There are a number of initiatives that we have proposed for 1988, and I am hoping that as we continue our consultation process with the tribes and further develop these various initiatives and spending plans that we will be able to achieve what we've been working for, which is a better quality of life on the reservations.

With that, Mr. Chairman, I will be happy to answer any questions that you might have.

CHOCTAW ELEMENTARY SCHOOL

Senator DECONCINI. Thank you very much, Mr. Swimmer.

Let me first pursue one question for Chairman Stennis regarding the Choctaw Elementary School.

The first question relates to this matter. The House report accompanying the fiscal year 1987 supplemental appropriation bill included language directing the Bureau to use available funds to redesign the Mississippi Choctaw Elementary School, which was heavily damaged by fire on March 20, 1987. The intent of the House language was to expedite the replacement of the fire damaged portion of the school, which housed 250 students.

The House committee directed that $500,000 of available unobligated construction balances be used to begin planning and design for a new or perhaps a replacement facility.

Can you bring the committee up to date, Mr. Secretary, on the project, including the total amount needed for planning and design, for construction, and the proposed source of funds to be used for the planning, design, and construction, and what timetable, as well, that you have regarding construction of this facility.

Mr. SWIMMER. As soon as we were aware of the fire, we had the Choctaw Tribal Chairman, Philip Martin, meet with us to discuss the situation. He also brought some information with him on available tribal buildings that might be quickly renovated for use as classroom facilities. We have already started that process, and I believe we have made available up to $100,000 to continue the education program in tribally owned facilities. We are also in the initial planning phase to determine the extent of the damage, how much of the building is left and is usable and what will need to be done to get it rebuilt and operational.

That planning is now underway. We expect to have the report by May 1. At that time, we will know what the timetable will be, how much design work will have to be done, and what the schedule for construction will be. Until then, we don't really know what the extent of the damage is until it has been fully investigated.

Senator DECONCINI. And it will cost $100,000 to do the planning or investigation?

Mr. SWIMMER. That's just the emergency aid that was given to help resupply the school with necessary books and supplies and for some of the remodeling that needed to be done on the tribal buildings.

In addition to that, we're waiting for an engineering report, which will then lead us into the next phase of expenditures, to know how much is going to be necessary to make available for the planning and the actual design work.

SUPPLEMENTAL FUNDING FOR CHOCTAW ELEMENTARY SCHOOL

Senator DECONCINI. Do you think it is wise, Mr. Secretary, to set aside some money in the supplemental? Surely, it is going to cost hundreds of thousands of dollars. That is quite obvious, I am told. The House has set aside $500,000.

Do you think it is appropriate for us to direct a reprogramming or to indicate that we are prepared to approve a reprogramming, or would you want us to wait?

Mr. SWIMMER. I think it would be appropriate, because we know it is going to be a substantial expenditure. I just wouldn't be prepared to give you the top figure until May 1, but I will make it available to the committee just as soon as we get it. If it is necessary to move ahead this year, I would suggest that we do need that authority. We will be expending the money.

PROHIBITION ON IMPLEMENTING INITIATIVES

Senator DECONCINI. Mr. Swimmer, the House committee report that accompanied the fiscal year 1987 supplemental appropriation bill included the following language on page 54:

> Bill language has also been included prohibiting BIA from proceeding to implement any proposed initiatives which have not yet been reviewed or approved by the Congress.

May we have some assurance that you will make sure that whatever initiatives you may be proposing or thinking about will be reviewed and approved by the Congress before implementation?

Mr. SWIMMER. Yes; I am very willing to bring before the Congress and the tribes, of course, these initiatives as they begin to take form. We are not able, at any particular given time, to present an actual written document on a particular initiative until we have had full consultation with the tribes, and that was intended to be done between now and the end of the fiscal year. In fact, we are doing that very thing by having area offices go out and meet with tribes to discuss the initiatives and identify what needs to be included or not included.

My only concern is that in the House language, it has the wording that says "steps leading up to or in furtherance of." And for instance, on the effort to improve our trust fund management, in order to get from here to there, there are an awful lot of steps that have to be taken. Obviously, until Congress approves it and the appropriations are available, we could not implement it. If we could at least proceed through the consultation stage and the development stage, I will keep Congress informed fully through those stages as well as providing notification before any action is taken to complete the projects or the initiatives.

INDIRECT COSTS

Senator DECONCINI. Your fiscal year 1988 budget proposes a 15-percent flat fee to cover indirect costs associated with the tribal contracting. We understand the BIA proposal to use a flat fee has recently been dropped. Is that correct?

Mr. SWIMMER. Well, not entirely. We actually had proposed that this be done through the regulatory process. In drafting the regulations, we did not include a 15-percent figure. That number seemed to have bothered a lot of people. It was our best estimate at the time that this is what would meet the requirements of the tribes. Because of the discussion about that, however, we were not going to include it in the proposed regulations. We have since had additional discussions with OMB and with the inspector general, who raised issues about the indirect cost and the way in which it has been administered in the past. We have seen alternatives to a flat rate that might help us work through the current indirect cost way of doing business. We are going to take a look at that.

Senator DECONCINI. Excuse me, Mr. Secretary. Is it safe to say then that you are not going to use the current method of providing indirect cost?

Mr. SWIMMER. That has not been discarded.

Senator DECONCINI. It has not been determined?

Mr. SWIMMER. It is still an option, and it is a very viable option. We could use the current method of providing indirect cost with some possible modifications. It most likely would be something very different than an across-the-board flat fee.

That concept was something that we were also putting out to tribes for consultation to find out from the tribes what amounts of money are really necessary to operate the programs. Had we gone forward with the regulations, we would have been able to address the tribal concerns, but we are not going to go forward with the proposed regulations.

Senator DECONCINI. That is one of the proposals you would intend to submit to us, if you decided to implement it. Would it be the 15-percent fee or some other formula?

Mr. SWIMMER. Before we would implement the regulations or to go forward with a flat fee proposal in regulations, we would certainly advise the Congress. It would have to be included in the appropriations language, of course.

Senator DECONCINI. Will the $1.6 million increase the BIA is requesting for contract support be adequate for projected new contracts in the absence of some administrative provisions?

REQUIREMENTS TO SUPPORT NEW CONTRACTS

Mr. SWIMMER. It's our best guess right now as to the amount that would be adequate.

Senator DECONCINI. How do you make that guess? Do you ask the tribes to submit figures of last year, or do you have those figures already?

Mr. SWIMMER. It's one of the most serious problems that we were trying to address with the flat fee proposal. Approximately 1 to 2 years prior to the current budget year, the tribes are asked to negotiate a rate with the Inspector General's Office. That, in the past, has generally been done using criteria set out by the inspector general with agreement by the tribes. That rate is then applied to what we would estimate to be the new tribal contracts 2 years in advance. Our budget data, of course, has to be put together 1½ to 2 years prior to the actual budget year. So, if we underestimate the number of contracts 2 years hence, we would come in with a lower budget estimate than what was necessary.

On the other hand, if the inspector general's off and the rates that were negotiated prove to be higher or lower than what was audited later as an actual cost to the tribe, that could actually affect the indirect cost rate of the tribe for the current budget year.

The 15-percent rate actually comes out to about what the indirect cost has been on average for tribes. If the documented rate were 15, 18, 20, 10 percent, or whatever, we would then set that as an administrative overhead fee the tribe would receive, regardless of the volume of contracting they did. It would give us a much better shot of coming up with an accurate figure for the coming budget year and provide tribes a lot more certainty about how much they are going to get.

Last year, we were only able to fund about 69 percent of the indirect costs requested by the tribes, because we had underestimated. Actually, we underestimated worse than that. We had to reprogram a couple of million dollars last year to make up that much. From year to year we just don't know what the requirements will be. If there were for some reason to be a big retrocession of contracts, it could affect us the other way.

Senator DECONCINI. Did you have a solicitor's opinion or an inspector general's opinion on the legality or the advisability of the proposed 15-percent flat fee, as it relates to the Self-Determination and Education Assistance Act?

Did you get an opinion that you could apply this 15 percent as it relates to Public Law 93–638?

Mr. SWIMMER. We have received solicitor's advice on that. He says that because the source of funds basically are Snyder Act moneys that we use for indirect costs, we could adjust that to a flat fee.

Under Public Law 95–561, there is a provision for a formula. I would be fully confident a formula could be worked out that would be similar to a flat fee, but we are also examining other alternatives.

TIMING OF ALTERNATIVES

Senator DECONCINI. What is your time schedule to have a new method or alternative methods to what is currently being done?

Mr. SWIMMER. In order to keep the tribes advised and give them some certainty as to what is going to happen, we will have to know very, very soon. I would expect within the next 30 days or so, we are going to know the direction, and as I said, it most likely is to going to lean toward the current way of doing business with perhaps some modifications in the negotiation process.

Senator DECONCINI. Then if you do adopt something other than the current method, we will know——

Mr. SWIMMER. Absolutely. Or even if we propose to modify that, we would advise the committees.

Senator DECONCINI. I will be glad to yield to the ranking member.

Senator MCCLURE. May I yield to Senator Nickles. He got here before I did.

Senator DECONCINI. Actually, Senator Reid was here even before that, but because as you are the ranking member, I was going to yield to you.

Senator MCCLURE. Thank you very much. No; I'll wait my turn. Thank you.

Senator DECONCINI. OK. Senator Reid.

TRUCKEE RIVER NEGOTIATIONS

Senator REID. Thank you very much, Senator McClure.

I will be brief. I have two questions, Mr. Secretary. As you know the State of Nevada has an ongoing problem with the Truckee River. It's been going on for ages and ages. It deals also, of course, with the Carson River. This issue impacts upon many, many entities, the city of Sparks, city of Reno, Sierra Pacific Power and various Indian entities are involved in this. It has problems that relate to the fisheries in the area, Pyramid Lake. And so the impact is significant to the northern part of the State.

Senator Laxalt thought that he had an agreement worked out previously, and I think you are aware that, that fell apart for reasons we need not talk about here. It is my understanding that the Pyramid Indians are again interested in starting negotiations. It is also my understanding that you traveled in Nevada recently to see what the lay of the land was regarding that issue, which is so important to Nevada.

Could you briefly tell the committee what you found when you were out there regarding the Pyramid Indians and the Truckee River.

Mr. SWIMMER. Actually, Senator, the genesis for these renewed efforts and negotiations came from the Department of the Interior rather than any particular party. I did visit with the tribes about the issue and our folks in Water and Science also made several contacts to see if a trip would be worthwhile.

Because of the changed condition and the failure of the compact, the situation continues to lend itself toward some kind of negotiations. We thought that it would be worthwhile.

We did meet with all of the parties in the two States, the Truckee Carson irrigation district board and directors, and the two tribes. We felt that there was some fertile ground for negotiations.

It is very much an issue of sociology, as you might say, or personalities, as much as it is water. There is some disagreement that there is sufficient water to meet everyone's needs, but everyone would agree that, with management and with a system that could be agreed upon, there should be enough to meet those needs, except in drought years.

Since our trip, we have encountered some additional problems, with the Carson sink and the wildlife refuge and the need for fresh water. How we address that is still being investigated.

The parties were willing to visit this subject. We agreed, within 60 days or so, to put together a memorandum of what we heard and send that back to them, asking for comments. We would then begin a negotiation process to see if we could agree on a management scheme, a water allocation scheme, and settle some of the longstanding legal issues.

As I said, the sociology is very difficult with the situation now. We have people who have taken opposite positions and are very reluctant to move. I would say that our chances are 50–50 of making some progress. We have committed some what we consider to be very high-level resources in the Department, in addition to my time and that of our folks in water and science, to make this effort to see if we can do something that will achieve a settlement. I think it is worth the effort, and we will continue it until we have decided that there is no further reason to go forward. If that happens, it will, of course remain in the courts.

ASSESSMENT OF WATER AVAILABILITY

Senator REID. What is the next step you anticipate?

Mr. SWIMMER. We have been putting together some technical information on the hydrology and the movement of water and who needs what. Where that water cames from and who may have to give up an existing right in order to take a right to some other water, are the things that would need to be negotiated. We should have the technical work done, I would say, by sometime around mid-May and be making another trip there, with Mike Clinton, in the Department who is working with us.

Senator REID. Would you or someone from your agency meet with me before you go out there and talk about what your statistics have shown?

Mr. SWIMMER. Sure. Be happy to.

Senator REID. One last question, then, before I turn the time over to the rest of the committee.

ELY COLONY RETROCESSION

In the past I have supported the retrocession attempt by the Ely Colony in White Pine County, NV. I understand that the Bureau has rejected the State's offer to retrocede civil and criminal jurisdiction over the colony, citing money as the problem.

Are you familiar with this situation?

Mr. SWIMMER. Yes, sir.

Senator REID. Could you tell me what the reason that you don't want or aren't able to at this time have the colony administer its own system of justice?

Mr. SWIMMER. When an Indian tribe or a State retrocedes jurisdiction, they actually retrocede jurisdiction to the Federal Government.

Senator REID. To the Federal Government?

Mr. SWIMMER. To the Federal Government. We then can contract with the tribe to provide law enforcement services.

Senator REID. I see.

Mr. SWIMMER. Ely Colony is a difficult situation, because of the history of Nevada and the other tribes that have already retroceded. At the same time, it continues to be a difficult issue for us. If we don't stop this particular kind of action at some point, then other tribes continue to see it as a precedent. Now the reason I say stop is that in Ely Colony's situation, they have a tract of land that is used primarily for a housing development and have very few, I believe it is under 100 tribal members, who live in the general vicinty. For us to take over the jurisdiction and provide funds to the tribe, even minimum staff, even in a situation where they would cooperate with the county, we're talking possibly one to two salaries minimum, maybe some staff people, and possibly even some facilities.

In that situation, we're easily going to get up around $100,000 annually and maybe more than that. It's not been uncommon for a tribe to start out at a very small amount and come to Congress and continue to add on to its law enforcement funds. I can see this as a benefit to local areas, providing Federal funds for law enforcement there, and it may be an area that is needed, but we cannot justify this for an Indian tribe of such a small size. We really did not believe that we could justify increasing our budget to cover this, and what is likely to be other similar situations. Other tribes have a requirement for law enforcement, where they are not in a 280 State or joint jurisdiction State, and they must provide law enforcement or we must on the reservation. That is where we should be working to concentrate our funds.

Senator REID. Thank you, Mr. Chairman.

Senator DECONCINI. Thank you, Senator. I want Linda to relax, I am protecting her up here from a couple of Members here who have some real hard questions for her. [Laughter.]

Ms. RICHARDSON. Thank you, Mr. Chairman.

EDUCATION INITIATIVE

Senator NICKLES. Mr. Chairman, thank you.

Mr. Swimmer, I only have a couple of questions.

Your proposal dealing with Indian schools. Since we have a few Indian schools still in the State of Oklahoma, how would your proposal affect those schools? Especially concerning their administration and quality. Any comments in that regard?

Mr. SWIMMER. All of the schools, except the one at Riverside, which is in a multitribal area, are already contracted to tribes. I did the last one, I believe, in Oklahoma, as chief of the Cherokee Tribe, which was Sequoyah Boarding School. I did that simply because I didn't believe at the time that the Bureau of Indian Affairs was providing an adequate education program. I thought that the tribe could do better.

It is that kind of feeling that I have about tribes' responsibility with education that I think would carry over into other areas too. That is why I have suggested the education initiative of asking tribes to contract to operate school systems. That just happens to be one example. Oklahoma is basically a public school State, and we do have very few Indian schools.

The dormitories that we operate are separate from the school systems. They are also contracted by the tribes in Oklahoma, and they seem to be operating fairly well.

Senator NICKLES. So you think the tribal operation is better than that of BIA?

Mr. SWIMMER. It localizes the education, and I think, in that sense, it is better and can be better, not to say that we don't have some excellent programs. It is because of the local administrators in those programs that are working, and they would be there under any system. To localize the education, I think, would enhance it.

Senator NICKLES. Are some of the Indian schools contracting with public schools?

Mr. SWIMMER. There are some examples of that, and there's some that we've been talked to about a joint venture or co-op a school. There are other examples, such as Zuni and Jicarilla, where they have approached the public school systems and had public school boundaries drawn that were contiguous to the reservation boundaries. This again, enabled local control and control by the tribe or the school boards, even though it was operated as an LEA under the State.

There are several different methods that might be used to accomplish the localization of the operations of Indian schools, which I think we certainly need to look at.

PAYMENTS OF ROYALTIES

Senator NICKLES. There have been a lot of complaints as well in our State, as I am sure you are aware of, with Minerals Management Service [MMS] and their collection and disbursement of royalties.

Have there been some improvements in that area? Do we need further improvements? They've talked about computers, et cetera. Has progress been made?

Mr. SWIMMER. I think a substantial amount of progress has been made especially in the last couple of years with MMS. There is still a lot to be done. Obviously, when their computer program is completed and the contractor has it up, we can do some enhancements, as they call it, on that program, to help our accounting. I believe it's in the testing phase now. It will make it easier for us to to track the income to the individual Indians and the tribes and to tie it with receipts coming in from MMS. There have been tremendous improvements made, but there's still a long way to go.

Senator NICKLES. I think there is room for tremendous improvement to be made, and I hope that it has been. The complaints haven't been as loud and as frequent lately as they were a couple of years ago.

ELIGIBILITY FOR THE COMMODITIES PROGRAM

One other issue that has come before us. We have had some Indian constituents in towns larger than 10,000 who have told us due to primarily Department of Agriculture eligibility requirements dealing with commodities, that they wouldn't be eligible to receive assistance. They requested that we move legislatively to make them eligible for commodities.

Do you have any comment on that problem?

Mr. SWIMMER. I have talked to the Department of Agriculture about this. This is a little different than just a commodity program, because the Department of Agriculture does, I understand, purchase these food items. They are not the normal kind of surplus commodities that would be available. Agriculture's position has been that Oklahoma came into the program only after some protest in the first place, because the idea was to distribute food in areas that are remote, and not reasonably accessible for use by people with food stamps. In those towns of 10,000 and above, they are assuming that food stamps are available.

It does create some conflict. It creates conflict, I know, in Oklahoma, especially where someone living just outside a town's city limits is eligible for donated foods, where their neighbor would not be, because they are in an incorporated city. I am not sure what the answer is. I think the Department of Agriculture might want to take a look at it, because in rural States like Oklahoma, upping the population limit by a few, isn't going to make that big a difference in the amount of food distributed.

I do know that the Indian tribes have complained a lot about it, because of what they considered to be the inequities——

Senator NICKLES. Well, there are some inequities, and we are working with the Department of Agriculture and would like to work with your office as well to see if we can't come up with something that is acceptable and not particularly expensive, but equitable. And there are some inequities, I think, that should be resolved.

RESERVATION GAMING

Let me make one final comment or comment and question.

One of the more controversial issues that we have had before our State, as you are more than well aware of, is the bingo cases, trust lands, et cetera. Has the recent Supreme Court decision resolved some of those issues, or are tribes still on your doorstep asking for trust status on lands for bingo projects?

Mr. Swimmer. Yes; and the court case, the *Cabazon* case, didn't fully resolve the issue. There are still numerous requests for putting land into trust. As you and others on the committee know, we had a policy of not taking isolated tracts of land into trust, in addition to other things, because of the associated jurisdictional problems. It literally becomes a no man's land. We had a policy and are working on proposed regulations that would not allow the taking of land into trust specifically for gambling purposes.

If the tribe already has land in trust, under the *Cabazon* case, it appears that they can play high stakes bingo on that land, as long as it's owned and managed or directed by the tribe. It can be an outside manager under a contract approved by the Secretary.

Other forms of gaming and the issue as to Federal enforcement of State law are still in limbo.

Senator Nickles. Do we need, in your opinion, legislation? There is some legislation coming through both the House and the Senate. Is that still needed, in light of the court case?

Mr. Swimmer. I think it is absolutely needed. There is going to be the day of reckoning resulting in some kind of regulation, at either the local or Federal level for Indian gaming. It is a very dangerous situation that we now have with hundreds of millions of dollars being passed over the table, virtually unregulated.

Senator Nickles. OK. Thank you very much. Thank you, Mr. Chairman.

Senator DeConcini. The Senator from Idaho.

Senator McClure. May I yield to the Senator from Alaska.

Senator DeConcini. The Senator from Alaska.

Senator Stevens. Thank you. I have to go to another meeting, Mr. Chairman, and I thank my good friend from Idaho.

As I look down at the witness table, I am reminded of the story that they used to tell of Lord Coake, who, when he became a member of the High Court of Great Britain, decided a case just 180 degrees different from the way he had decided it when he was a member of a lower court. [Laughter.]

When he was challenged about it, he said, well, you just have to understand that the law is what I am. [Laughter.]

And we know where Mrs. Richardson is now, so we will have to make sure to recognize where the laws are made.

PROGRAM ISSUES FOR ALASKAN NATIVES

Mr. Chairman, I want all the members of the committee to know that Mr. Swimmer, in the past months, has met and dicussed with me and other Alaskans many problems that have arisen concerning Alaskan Native programs, and I am pleased to report that we have been able to come to some agreements. Alaska Natives will bear their fair share of the budget restrictions—in terms of expanded restrictions against growth in some areas—but they will not be singled out for any special definition that will leave them bearing an unfair burden, as compared to the Indian population as a whole.

Along these lines, Mr. Swimmer, I have had conversations about the proposal to implement a flat administrative 15-percent limitation on the administrative costs associated with tribal contracts. In a State like mine, where distances are so great and costs are so high, as compared to areas in the south 48, that limitation is going to put an extreme burden on the smaller tribes and villages of Alaska.

Have you had a chance to determine whether it would be possible to make the 15-percent administrative cost limitation more reflective of the actual cost differences between the individual tribes and villages of the country?

Mr. SWIMMER. We have been trying to collect as much information as we can on the whole subject from the tribes. What we've really asked for is some justification that would give us a way of addressing unique needs, and Alaska may be one of those. Alaska, normally, in some program areas, receives more in program funds because of the higher costs and salaries. The 15 percent then would be reflective also of that higher cost. So it could be that there is not that big a differential in the management overhead for running the program, when you consider those dollars.

As I had mentioned, just before you came in, we are continually revisiting the flat-fee issue. While we have dropped the 15-percent rate, we are still considering a flat fee. We asked tribes to send us information about what actually is the amount that would be the right amount. We are going back a little bit to the current way we do business to see if there are some ways that we might modify that to give us a better figure or figures to use when we determine the administrative overhead for the tribes.

Senator STEVENS. We are not opposed to some sort of administrative overhead concept, because I can remember times when administrative costs got to the point where there was very little left for the beneficiaries of any program. We are not interested in having no limitation. We think it ought to be reflective of the actual costs. In some areas, they don't have large travel costs. You should know that in the delta area between the Yukon and the Kuskokwim, just chartering a plane to go from one village to another costs more than going from here to Anchorage. And that sort of administrative cost has to be taken into account, I think, in terms of trying to give them a limitation which makes some sense.

Well, I appreciate hearing that.

SELF-DETERMINATION GRANTS

The other thing I wanted to talk to you about was your proposal to eliminate the section 104(a) Self-Determination Grant Program. I understand we want to make that into a new sort of a program dealing with tribal government assistance. Again, my problem is that we have villages rather than tribes. And I wonder, have you analyzed how that would compute out, really, in terms of the Alaska scene, as far as the villages and the self-determination concept, and as applied to villages themselves?

Mr. SWIMMER. There was no intent to change the eligibility. It is our belief that self-determination funds were originally budgeted for the purpose of helping tribes achieve a level of business administration, so they could contract with the Bureau to run programs. But what happened after a year or so, was that money got tied into what we call the band, and has just been continued to be used by some tribes as a slush fund for tribal government. What we were trying to do is tie the funds to the original purpose, which was to strengthen tribes' administrative systems. Other funds would be used to address inspector general audits that reflected poor management and to assist tribes having trouble managing their contracted programs. We will also use some money to support basic tribal administrative costs, and I presume there would be Alaska villages that would be eligible.

Senator STEVENS. My assistant tells me that the definition given indicates that the substitute programs applies only to tribes with populations from 150 to 1,500. And as I said, one of the problems is that our villages, which had been recognized as being these in lieu of tribal governments in Alaska, do not necessarily have that concept. They are not, per se, tribes as you would find in the south 48.

What I would like to ask you to do is, if you could give the committee, if the chairman would allow it, some kind of an explanation of how this proposal will affect Alaska villages which have received funds under the 104(a) program.

Mr. SWIMMER. Yes; we can do that for you and show you how it would break out. But Alaska would be eligible.

Senator STEVENS. Good. Thank you very much. And I thank my good friend from Idaho.

[The information follows:]

ALASKA NATIVE VILLAGES RECEIVING SELF-DETERMINATION GRANTS

This fiscal year approximately 100 Alaska Native villages have received self-determination grants.

While the majority of the 230 Alaska Native villages would be eligible for small tribes assistance grants, we caution that eligibility does not guarantee approval of a grant since all applicants must demonstrate the presence of an active tribal council or government conducting substantial governmental functions and administering programs and services for its members.

JOHNSON-O'MALLEY

Senator DECONCINI. The Senator from Idaho.

Senator MCCLURE. Thank you, Mr. Chairman. In 1986, the Bureau revised the Johnson-O'Malley [JOM] handbook in response to various reports and audits by the inspector general. The new program guidelines provided in that document should ensure that funds are spent for appropriate supplemental educational activities.

How was the handbook changed to ensure that funds are appropriate activities?

If you would like to submit——

Mr. SWIMMER. Ron Eden is deputy for education. Go ahead, Ron.

Mr. EDEN. As I understand it, we laid out in the handbook specific programs and procedures for which supplemental funds could be used. Up until the handbook came out, there was some question, as to how the funds could be expended. In the past, as you may recall, we had had audit reports that indicated that some folks out there were not always using the funds appropriately.

Senator MCCLURE. Now that is a dramatic understatement. [Laughter.]

Mr. EDEN. The handbook, as I am told, does attempt to rectify that and give far more specific directions as to appropriate supplemental activities that could be funded.

Senator MCCLURE. So your answer is that what was general before has become more specific now in the new handbook; is that correct?

Mr. EDEN. Yes; we are not proposing new regulations, but are putting examples in the handbook and making it more definite, so it can be more closely audited and having those kinds of situations that we ran into before covered.

Senator MCCLURE. Now that anticipated my next question, as to whether or not you are proposing any new regulations in this regard in 1987.

Mr. SWIMMER. As I understand it, we have been attempting to get new regulations developed for some time. It is tied up, though, with the new administrative process for 638, and while we have something scheduled for this year——

Senator MCCLURE. You mean things are on the track, but you don't know when they will move?

Mr. SWIMMER. Well, it's tied with some other regulations that we have a hold on.

Senator MCCLURE. But do you anticipate that any action will be taken during 1987?

Mr. SWIMMER. Yes.

Senator MCCLURE. Are you far enough along in that to indicate to us what regulations you are trying to get moved during 1987 that deal with the control of the JOM program?

Mr. SWIMMER. I could supply that for the record.

Senator MCCLURE. If you would do that for the record, I would appreciate it.

[The information follows:]

PROPOSED JOHNSON-O'MALLEY REGULATIONS

During fiscal year 1987, the Bureau of Indian Affairs' Office of Indian Education Programs developed revised Johnson-O'Malley regulations. The regulations are currently in the Solicitor's Office for review and should be published as proposed early in fiscal year 1988.

The regulations will amend 25 CFR part 273—"Education Contracts" under Johnson-O'Malley Act. The Bureau will propose to modify part 273.12, "Eligible Students," to reflect the passage of Public Law 99-228. Part 273.14, "Preparing the Education Plan," will also be changed to stipulate that all contractors' education plans must contain educational objectives. Under part 273.2, "Definitions," "Supplemental Programs" will be redefined to emphasize that programs must have educational goals and objectives. Finally, part 273.13, "Tuition Payments to Public Schools," and part 273.33, "Use of Funds for Operational Support," will be deleted. The proposed deletion of these parts reflects previous congressional appropriations language, and the parts duplicate other available funding sources.

JOHNSON-O'MALLEY DISTRIBUTION FORMULA

Senator McClure. In the fiscal year 1987 continuing resolution, Congress directed that, if the JOM formula is changed that votes occur regularly and the changes be phased in. In the meantime, bill language was included funding JOM using the existing weighted average student unit per State.

What plans do you have in fiscal year 1987 to change the JOM formula

Mr. Swimmer. In 1987, we are not changing the formula. In 1988, it would be a straight per capita, but we will do a phase-in.

Senator McClure. Do you have any identification of how you would phase that in in 1988? If you do, you could provide that for the record.

Mr. Swimmer. We do have that in the budget justifications.

Senator McClure. It is as provided in the justification?

Mr. Swimmer. Yes.

Senator McClure. Nothing different than that.

Mr. Swimmer. That's right.

GILA BEND INDIAN RESERVATION

Senator McClure. Section 4 of the Gila Bend Indian Reservation Lands Replacement Act requires the Secretary of the Interior to pay the Tohono O'Odham Nation $10 million, plus interest in fiscal year 1988, conditioned upon the Nation assigning to the United States all rights, title and interest of the Nation in 9,880 acres of land within the Gila Bend Indian Reservation. According to the justification, the Bureau anticipates $700,000 in interest to be accrued by the time the payment is made in October 1988.

This is the first of three $10 million payments to be made with the remaining two payments scheduled for fiscal year 1989 and fiscal year 1990.

Is the justification in error, or do you really anticipate making these payments at the end of fiscal year 1988?

Mr. Swimmer. I think it is an error. There's no reason why we wouldn't make the payment at the beginning of 1988.

Senator McClure. All right.

How were the interest payments of $700,000 calculated?

Ms. Richardson. Senator, that was the CBO estimate at the time that the bill was before the House last year, and it was based on the interest rate assumptions contained in the fiscal year 1987 budget resolution.

Senator McClure. $700,000 on $30 million?

Ms. Richardson. Yes, sir; from the date of enactment to the date of payment.

Senator McClure. Do you recall the rate-of-interest assumption?

Ms. Richardson. No; it was what the 1987 budget resolution projected.

Senator McClure. How much interest would be saved if Congress appropriated the full $30 million up front?

Mr. Swimmer. Well, 2 years——

Senator McClure. Two years on $20 million?

Mr. Swimmer [continuing]. On $20 million. So at 6 percent nominal, there would be $2 million savings.

Senator McClure. Yes; did the Department force you to make room in your base for this requirement, or are these funds requested outside your base?

Mr. Swimmer. No; these were in our base.

TIMBER SALES ADMINISTRATIVE FEES

Senator McClure. In the forestry program, you have requested a decrease of $8.1 million. That is a 34-percent decrease; $5 million of this reduction is proposed to be offset by administrative fee collections associated with the timber sales program. In prior years, these collections have been returned to the tribes for forest development activities.

Some $2.5 million of the reduction reflects a planned reduction in the number of timber sales offerings, with only the most profitable sales going forward.

Since tribes will no longer receive collections for forest development activities, will the Bureau be doing the work instead?

Mr. Swimmer. The money that we receive for the forest development activities is planned to be spread over a longer period of time to meet the backlog. We started out with 1 million acres, and we are down to about one-half million acres of reforestation backlog. What we are proposing is that our budget would reflect the amount of money that was planned several years ago instead of what was increased in the budget the last couple of years. In other words, we're reducing that by 2 or 3 million.

Senator McClure. Do I understand then, you think that—you've cut the backlog down now. Therefore, you don't think you need as much money? Is that what you are telling me?

Mr. Swimmer. We will need as much money, but it is spread over a longer period of time, Senator. We have continued to reduce the backlog, but instead of being able to finish it up by, say, 1990, it may take an additional 4 or 5 years.

Senator McClure. But you think this amount of money will still allow you to gain against the backlog?

Mr. Swimmer. Yes.

Senator McClure. You will not be losing ground; you will just be gaining ground more slowly; is that correct?

Mr. Swimmer. That's right. On the administration part of the reduction, we are proposing a net proceeds situation for the tribes, instead of a gross proceeds. The moneys that would be available through the timber sales would then be used for timber administration. In the past, we have furnished the money through our budget to get the timber up and ready and to sell. We've turned over all of the sales proceeds to the tribes, except for the little bit that they contributed back to us.

What we would do to maintain timber sales administration, is to collect more of the sale proceeds for our budget to support this work that we are doing with appropriated funds.

Senator McCLURE. Are you telling me that the actual level of work performed will not be reduced?

Mr. SWIMMER. It would be reduced, if we don't apply some of the sales proceeds to it.

Senator McCLURE. That would be reduced because of budgetary pressures, not because of policy changes?

Mr. SWIMMER. That's right.

IMPACT ON THE TRIBAL FORESTRY PROGRAMS

Senator McCLURE. Well, I am a little concerned about this, because—what happens to a tribe that hasn't really been involved in the timber management program and is just now getting geared up to do it, and suddenly finds that the up-front money isn't there now? That would sound theoretically possible, if it is simply an ongoing program, and you are changing the course and direction of the money, but it will be a net loss to the tribe, will it not?

Mr. SWIMMER. We still have to provide the forestry development work and would be working with the tribes and providing money to get the forestry program going. This is mainly going to affect those tribes that are receiving proceeds from the sale of their existing timber stock. What we are asking, in essence, is that they contribute some of that sales receipt money to the continued development of their forests.

Senator McCLURE. Well, as you know, and we've discussed, the Nez Perce Tribe right now is involved in two or three different land acquisition proposals, at least two of which are directly related to their timber sales program. They want to get into a timber management program. When we were discussing the impact that would have if the land were taken in trust, I recall that you indicated, well, there are things that the Government does to help offset that. You mentioned, among other things, forest development moneys.

Now even before they get it, it is taken away.

Mr. SWIMMER. In that case, where tribes are acquiring potential timber land, it would have an impact on the budget. We would have to spread the money around and spread it thinner, because they would be entitled to come in and ask for forest development money on that new land that they had acquired.

Senator McCLURE. They are entitled to ask; they're just not entitled to get?

Mr. SWIMMER. Well, it would be to the detriment of the other tribes.

Senator McCLURE. I understand. And I understand what budgetary pressures are, and we have severe ones, but am a little concerned—

more than a little concerned, because I believe we still need to encourage tribes like the Nez Perce, as an example, to become more economically self-sufficient. They are not.

One of the ways in which they wish to do that is to become more involved and better managers in their lands, and we are reducing the assets available to them to become more involved and more competent. I am not sure that I see, aside from budgetary questions—I am not sure that I see that their point of being able to absorb, out of a beginning program, the loss of Federal support that this really does mean.

Mr. SWIMMER. That is a possibility, but there would be some support available. The question is one of degree. Tribes should look at the land acquisition program of the tribe to be sure that they are acquiring the land at a price that is fair enough to develop it taking into consideration private sector financing. This is one of the things we have asked timber tribes to look at and has caused some consternation out there. They should look to the private sector as well as to the Federal funds to see if maybe they can do even more with their forest development than they are doing with the moneys that we give them. We encourage them to leverage what little bit of money we do give them against some other private sector money.

BELOW COST TIMBER SALES

Senator MCCLURE. In proposing the reduction in timber sales offerings, did you only look at the below cost issue, or did you also analyze offerings which may be necessary for basic forest management purposes?

Mr. SWIMMER. Our consensus is, that it was below cost.

Senator MCCLURE. I am concerned about that, because a great deal has been said, and there's kind of a popular mythology going along these days, that if there's any costs associated with land management in an area in which there's any timber sales responsible for all the costs, as though timber sale is the only benefit. And there are other benefits as well.

Mr. SWIMMER. That is true. It does become a budget issue, and it is a hard sell.

Senator MCCLURE. Well, if you have 40, 50, 60 percent unemployment in the area, and you can create some employment, it seems to me that there is a reason to want to do that.

Mr. SWIMMER. Absolutely.

Senator MCCLURE. And of course, we can cut the timber sales and increase the unemployment rolls and increase the contributions to unemployment and to the welfare going to the tribes and say we did a good thing. We will save money on one side and cost twice or three times as much in another, which I think we are quite capable of doing. [Laughter.]

And then say we've done something good.

Will the tribes have the opportunity to have real, real measurable important input to the decision of what sales are offered and what are withheld?

Mr. SWIMMER. Absolutely. I would see no reason at all why they shouldn't or don't now.

Senator McCLURE. Yes; but as you are moving toward the economic test, you don't intend to reduce their input into the decision?

Mr. SWIMMER. No.

Senator McCLURE. Suppose a tribe says tract A, for a whole variety of reasons, is more important to us than tract B, but tract A has better economics, in terms of sales and management, than tract B, the inverse. They want to choose the one that has less return in direct economic terms. Would they be permitted to make that selection?

Mr. SWIMMER. They would be, as long as we could be certain that, all things considered, we are not violating our trusteeship. If it were to the detriment of the other forests, we might have to apprise the tribe that we wouldn't be responsible for that. But if it were an equal thing and one was lower than the other, and they wanted to harvest the lower, I wouldn't see any problem with doing that.

Senator McCLURE. Thank you very much, Mr. Swimmer. I can't allow this opportunity to go by without saying thank you for the access which we have to your office and to your people. It has been a very open and a good access, one which we appreciate and one which we intend to continue to take advantage of without taking undue advantage of.

I think it is working better, and I see some positive developments, which I hope to be able to continue.

I have some additional questions to submit for the record for response in writing.

Senator DECONCINI. Without objection the questions will be submitted and you will be asked to respond to them.

ECONOMIC DEVELOPMENT GRANTS

Mr. Swimmer, I too appreciate the availability of your staff and responses to our concerns, coming from Arizona. Even though we have some disagreements, I appreciate the fact that you do respond and assist us in trying to find out some information.

I have a question for Senator Burdick that he would like to have posed to you. It's come to his attention that the BIA recently notified tribes that the Indian Finance Act funding ratio has changed from a 60- to 40-percent split to 75 to 25 split.

Is that correct, and can you explain the difference in the grant programs and the loan guarantee programs under the Indian Finance Act, and why it was enacted, and if, in fact, there has been a change, what the effective date of it is, and how do you justify the change?

Mr. SWIMMER. It is my understanding that the 60 to 40 versus 25 to 75 is an issue that we're discussing currently with OMB. We should have a resolution of that in a week or so. I will be having a meeting over with them and Dr. Ryan to discuss it.

Senator DECONCINI. What position are you taking?

Mr. SWIMMER. The 60 to 40.

Senator DECONCINI. Thank you.

What is the difference between the grant program and the loan guarantee program under the Indian Finance Act?

Can you explain that?

Mr. SWIMMER. Well, the loan guarantee program is very similar to the Farmers Home or SBA guarantee, where a private lender would make the loan, and then we would guarantee, with the full faith and credit of the Government, up to 90 percent of the loan amount. That leaves the bank or the savings and loan with only 10 percent at risk, but they also remain the servicer of the loan. It is as though it is on the books of the bank.

On the grant side, we have authority under law to give to a tribe or to an individual an outright grant of equity for a particular project that is based on a percentage of the capital cost of the project, up to the limits we discussed.

Senator DECONCINI. And do you anticipate the resolution of this within 30 days from today?

Mr. SWIMMER. I think we'll have one then, one way or the other.

[Pause.]

Senator DECONCINI. Were the tribes consulted in this exercise?

Mr. SWIMMER. I don't think we have had——

Senator DECONCINI. You would only consult them if, in fact, OMB prevails, is that not correct?

Mr. SWIMMER. Well, yes. If we run into a serious problem, we'll have to advise them. I don't think it is a matter that we have a lot of choice about. We will follow the law or the mandate, whatever.

Senator DECONCINI. Will you be kind enough to notify us when that decision is made?

Mr. SWIMMER. We certainly will.

PHOENIX INDIAN SCHOOL

Senator DECONCINI. Thank you very much.

Mr. Swimmer, I have some questions regarding the Phoenix Indian School I'd like to go over with you.

I received a copy of the letter which the Bureau of Indian Affairs sent to Congress giving notice on the Bureau's intention to close the Phoenix Indian School at the end of 1987–88 school year.

The letter mentioned the decline in student enrollment.

I've been told that, in recent years, school administrative policies and practices may have been contributing to the decline in student enrollment.

Can you describe for the committee or provide for the record the administrative policies used at the school which deal with enrollment and student suspensions?

Mr. SWIMMER. The administrative policies dealing with the Phoenix Indian School over the past several years, I don't believe, have been any different than with any other school situation.

I would say that the language that the Congress put in the various appropriation reports of years past has given the impression that the school would be closed at some future time.

That was based on the development of the Tohono O'Odham and the Hopi high schools, which would be on-reservation facilities, costing about $50 million.

There was explicit language, in fact, a couple of years ago that said no more money would be put into Phoenix upon the completion of the construction.

When I came in to the situation, I asked that a review be done of that very issue to see if it was appropriate that we should continue, or ask Congress to change to some other school or change the whole scope of what we were talking about there at Phoenix.

We did that study. I think it's reasonably safe to say that once a course is charted, you're going to experience a declining enrollment. Parents would be afraid to enroll children there because they don't know when it's going to close or if, and they might not be able to have their kids graduate from the school.

So they would start looking for other places to put the children.

With the construction of the two new high schools, we anticipated a 50-percent drop in enrollment at Phoenix because those were the students represented by those two tribes. That then precipitates another move, which is ISEF. The ISEF formula funds drop as the drop in enrollment happens; we have less money available to us to operate the school. We then have to conduct the RIF's of employees.

I will say that the management has been doing an excellent job of helping to place the people that are facing those RIF's, but we have to continue doing that in order to decrease the cost of operations.

REGISTRATION POLICY

Senator DECONCINI. Is there an administrative policy that requires a student who registers the first year to reregister every year?

Or can they register once and that will suffice for as long as they attend the school?

Mr. SWIMMER. I'm not aware of the policy.

Senator DECONCINI. Please supply that for the record. I'd like to know what the policy is as to registering, if they have to register every year, or if they come in year one and register, even if they leave for a summer or for a semester, are they automatically registered?

[The information follows:]

STUDENT ENROLLMENT AND SUSPENSION POLICIES AT PHOENIX INDIAN SCHOOL

The enrollment policy for all Bureau boarding schools, including Phoenix Indian School, requires the completion and approval of a student enrollment application form. Each application identifies a particular educational or social condition that exists which necessitates enrollment and meets the criteria at a boarding school. In addition to parental signatures, BIA agency and/or area education official signatures are required before formal certification of enrollment is made. The attendance area for Phoenix Indian School includes the Phoenix, Navajo, and Albuquerque BIA areas.

Procedures for student suspensions are contained within the school's student rights and responsibilities handbook which is provided to each student entering the school. Each student's behavior is tracked throughout the year and any incidences of student misbehavior are recorded. When the number of infractions reaches a serious level, disciplinary hearings/meetings are held with the student. Throughout the process, the student is provided due process, which includes the right to a written notice of the infractions, a formal hearing and representation at the hearing.

STUDENT ENROLLMENT HISTORY AT PHOENIX

Senator DECONCINI. Can you also give us a student enrollment breakdown by tribal affiliation for the past dozen years or so?

I don't want to overtax your staff, but I'd like to see the trends. Perhaps that's already been accomplished and I haven't seen it.

Could send that to us or give that to me?

Mr. SWIMMER. Sure.

Senator DECONCINI. Do you already have it?

Mr. SWIMMER. I don't think we have it for 12 years back.

Senator DECONCINI. Well, try two or three to begin with. I really am not looking for more work for you, but I'd like to have some better idea myself where this enrollment has shifted.

[The information follows:]

PHOENIX INDIAN SCHOOL ENROLLMENT BY TRIBE

Tribe	Fiscal year—			
	1984[1]	1985	1986	1987
Colorado River	4	6	7	2
Havasupai	10	5	8	5
Fort Apache	73	77	80	58
Hopi	106	93	66	8
Gila Bend/Papago	22	21	13	10
Papago	94	97	103	78
San Xavier/Papago	3	9	14	18
Gila River/Pima	46	70	67	63
Salt River/Pima	3	19	13	7
San Carlos/Apache	90	64	40	41
Navajo	121	102	49	46
Other tribes	68	72	55	34
Total[2]	640	635	515	370

[1] Unadjusted ISEP count.

[2] Taken during student count week.

EDUCATION REQUIREMENTS OF PAPAGO TRIBE

Senator DECONCINI. We had testimony in Phoenix before the House Interior Committee, chaired by Congressman Udall, from the chairman of the Papago Tribe, that even with the new high school, there are many students in the western part of that reservation that still attend this school.

He indicated that, yes, they'd love to have a high school out there, but they can't justify it. And they surely don't want to have to send them out of State if they can help do it.

I'd like to know how many Papago students are still attending the Phoenix school. That would be helpful, too, Mr. Secretary.

LEGISLATION AFFECTING PHOENIX INDIAN SCHOOL

Senator DECONCINI. You're aware of the legislation introduced by Congressman Udall, which authorizes the sale or exchange of the Phoenix Indian School land subject to certain conditions, such as the educational placement plan for all the students at the school, and the establishment of a trust fund to provide supplemental, educational, and social services, are you not?

Mr. SWIMMER. Yes.

Senator DECONCINI. Has the administration taken a position regarding that bill? Can you give us your feelings about it?

Mr. SWIMMER. It's my understanding that the administration would support the bill with the primary idea being that of exchanging the land.

The bill does give us some direction on what to do about the students, and would establish a trust fund. I've been concerned about that issue. I had hoped that if there were some money remaining after the land exchange, that it might be used for education of the children who have particular problems, like drug and alcohol abuse, who are in several of our schools—not just at Phoenix. Perhaps we could do something similar to the villages concept that Dr. Menninger has in Topeka, where they provide residential treatment. The residential treatment is ancillary to the school.

It's my understanding though that these trust fund expenditures would be directed by the tribes and it would be up to them then to decide if they wanted to invest the money that way, or if they wanted to use it in some other way for the education benefit.

As far as planning for the children who are at Phoenix, we're doing what we can, but are limited by the language of Congress that has instructed the BIA not to do anything toward the closure of Phoenix.

I did send a letter to the committee stating that, if we could, we needed to commence the closure process by the first of March. Since I didn't get a response, we have simply agreed to keep the school open during the 1987–88 school year, and expect a student population of about 100 to 150.

Senator DECONCINI. Regarding the language in the bill, we've heard that the Department's Solicitor has issued an opinion that concluded that the language in the Fiscal Year 1987 Interior Appropriation Act applies only to the current fiscal year.

Is that correct?

Ms. RICHARDSON. I don't know about a Solicitor's opinion, but there's no hereafter contained in the language, so it would be annual appropriations language.

Senator DECONCINI. It would be annual as far as your interpretation is concerned.

Mr. SWIMMER. I have not asked for such an opinion. We are assuming that we are not to do anything to close Phoenix until Congress has acted.

Senator DECONCINI. It's your observation or interpretation of that language that it applied only to that year.

MINIMUM ENROLLMENT FOR A BOARDING SCHOOL

How many students, if you know, Mr. Secretary—or somebody knows—what is the minimum number of students that justifies a school similar to the Phoenix Indian School?

Mr. SWIMMER. The capacity of Phoenix is around 550 to 600. In the studies that I have received, I believe the minimum recommended number of 250 to 300 comes up. That is the number needed to generate enough money from the ISEF to operate an educational program.

You reach a point then where you have to maintain so many of the buildings even though they're not occupied, that it really gets out of control.

Senator DECONCINI. Have you given any thought about replacing the school in the Phoenix area with a smaller school?

Mr. SWIMMER. Only as I mentioned, with the possibility of having a specialized——

Senator DECONCINI. No; other than that.

Mr. SWIMMER. Other than that, I have not because we have so much excess capacity at the other boarding schools. Sherman, in particular, does have a high population of Arizona students.

Senator DECONCINI. Do you know or can you project for us what the enrollment will be in the next couple of years of that school if it did stay open?

I understand that, as of February 10, 1987, from your Department, there are 230 students there.

Mr. SWIMMER. We have 192 at this date.

Senator DECONCINI. It's down to 192 today?

Mr. SWIMMER. And with the opening of the Tohomo O'Odham, we would anticipate no more than 150 would enroll next September, or August. So I would say around the 150 level.

[The information follows:]

PROJECTED ENROLLMENT AT PHOENIX INDIAN SCHOOL

As of March 26, 1987, there were 192 students enrolled at Phoenix Indian School; 72 of the 192 students were Papago students. Assuming that most of the Papago students will attend the new on-reservation high school, it is projected that the student enrollment at Phoenix Indian School for the 1987–88 school year and beyond would range from 130 to 150 students.

SPECIALIZED SCHOOL AT PHOENIX

Senator DECONCINI. And if you moved in the direction you mentioned of a specialized school, would you have the capacity to fill that at the 250 student level, or whatever level is minimum?

Mr. SWIMMER. I don't think we'd have any trouble filling that to capacity. I'm not sure that the design would work at that capacity. We might be talking about 100 to 200.

Senator DECONCINI. Could you have such a school that would meet that need as well as a school that would have a 150-student population of nonspecialized education, such as those that are attending the Phoenix Indian School now?

Mr. SWIMMER. I——

Senator DECONCINI. Could you combine the two?

Mr. SWIMMER. I would not recommend it, based on my experience. I certainly can't hold myself out as a professional, but the various educational institutions I've looked at as well as the special treatment centers don't do well by mixing the populations.

That's part of the problem we have now in our boarding schools. We have such a mixed population with social problems and all that it's very difficult to reach them in a classroom.

Senator DECONCINI. Do you have any projected cost on what it would take to build such a school as you're suggesting?

Mr. SWIMMER. Nothing other than just a ballpark figure, which is around $20 million.

Senator DECONCINI. How much?

Mr. SWIMMER. Around $20 million.

Senator DECONCINI. Could you give us the estimate of what it would cost to operate that school on an annual basis?

Mr. SWIMMER. As I say, if I were to do something like that, it would be based on the concept of the villages in Topeka and I'd be happy to try to find those numbers.

We have not done any of that kind of planning internally.

Senator DECONCINI. If you could give me a ballpark figure of what you think it would cost to operate that school on an annual basis, I'd appreciate it, realizing it is nonscientific or——

Mr. SWIMMER. Very unscientific, as is a ballpark estimate on the construction.

Senator DECONCINI. Yes; just some idea of what we're talking about. Obviously, the reason is because, as you know, that property is considered very valuable for exchange purposes and there are some developers who are willing to put in some substantial money.

I'm trying to get in my own mind some kind of figures of what we're talking about here, with the clear understanding that this is not the absolute figure in the event there was some money set aside from any such trade.

[The information follows:]

ESTIMATED ANNUAL OPERATING COST OF NEW SCHOOL IN PHOENIX

Under the Indian school equalization formula, a boarding school with 150 students would generate approximately $1 million for educational costs. Operation and maintenance costs would be approximately $125,000. If an alcohol and drug abuse treatment center were operated in the same facility, it would probably be operated by the Indian Health Service, and we are unable to estimate the treatment costs.

HAWAIIAN CULTURE AND ART DEVELOPMENT

Senator DECONCINI. The Senator from Hawaii has asked the committee to direct some questions regarding the Higher Education Amendments Act of 1986, which established a program of grants to support native Hawaiian culture and art development with $1 million authorized for fiscal 1987.

Early implementation of this program is a matter of express concern to Senator Inouye.

What discussions have transpired regarding the location of this program within the Department, and what activities would be required before the grant program would be initiated?

Mr. LAMB. Mr. Chairman, I'm Robert Lamb from the Interior Budget Office.

Senator DECONCINI. Welcome, Mr. Lamb.

Mr. LAMB. Secretary Hodell recently wrote to Senator Inouye to indicate that some initial work had been done in terms of reviewing the legislation.

As you may recall, this provision for the grant program was put in the Higher Education Act Amendments of 1986 which was signed by the President on October 16 of last year.

You will appreciate the difference of course between an authorization for a new program and the funding for that program. And there are no funds appropriated in fiscal year 1987 for this grant program.

Nevertheless, some work has been done to look at the legislative history of the program. The Solicitor has advised the Secretary that, in terms of implementation of the grant program, in terms of issuance of regulations and the like, the Department really cannot move forward absent appropriations action.

Senator DECONCINI. How much funding would be required to establish this program now?

Mr. LAMB. For its first year the program has a $1 million authorization, and then such funds as may be necessary are authorized for future years.

I don't have a precise figure in terms of what the implementation costs would be, but I think well under that $1 million would be needed.

All that is basically needed for implementation is the issuance of regulations or guidelines for the program.

Senator DECONCINI. Do you have the capacity to do that now?

Mr. LAMB. The Solicitor has advised the Secretary that we don't have funds for that express purpose this year. I think the concern here is that there are many programs that are authorized to the Interior Department that never receive funding.

I think the Solicitor was concerned that we not get out too far ahead of the curve and start announcing regulations and——

Senator DECONCINI. If Congress gives you the money, you'll go ahead and develop the regulations with the staff that you have now, is that correct?

Mr. LAMB. Yes, sir; the Secretary has said that we would be required to implement the program if there is an appropriation.

Senator DECONCINI. Thank you.

NAVAJO COMMUNITY COLLEGE

Mr. Secretary, the fiscal year 1988 budget request for the Navajo Community College [NCC] is $3,813,000, the same as in fiscal 1987.

However, the number of fulltime students is expected to rise from 538 in 1987 to 775 in 1988; part-time students are expected to remain about the same.

Since the Navajo Community College is supposed to be funded on the basis of their operating costs, and those costs will obviously increase with the increased enrollment, why doesn't your budget include an increase in funding to deal with the increased enrollment?

Are you just waiting for us to put it in?

Mr. SWIMMER. Well, not really. The Navajo Community College was funded on a flat-rate basis and has been for several years, instead of on a formula as is the case of the other tribally controlled community colleges.

It was anticipated, I think, at the time that that funding concept was approved that there would be fluctuations in enrollment. Last year, through the closure of Ganado, there was a major increase of students into NCC.

We felt the funding which was available to them, around $3,500 per capita was sufficient. This compares to around $2,500 per student for the other TCC's. Navajo Community College may have to increase class size two or three people, but they are not going to reach the point where they would have to add significantly to the staff to handle these students.

And there's no guarantee that those additional students would stay there next year.

If we fund the school board on enrollment, we would wind up in a situation where every year we effectively adjust the appropriation up or down, and then we've instituted a formula.

Otherwise, we stay here.

They also are entitled to apply for matching funds under the new Endowment Program. The tribe has been very supportive and I think they would be. So there's potential for some substantial new moneys coming in from the endowment portion.

Senator DECONCINI. We have a period here of several academic years, where the full-time students go up, and enrollment goes up. Would it be your recommendation to increase that funding?

Mr. SWIMMER. I think we would certainly have to look at the operational costs. They would have to be justified. If we can see that there is a reason for an increase, then we should come in and ask for money to support it.

SAFETY OF DAMS

Senator DECONCINI. Mr. Secretary, on page 276 of the justification, it indicates that the BIA plans to use the funds included in fiscal year 1987 appropriation for 7 dam safety projects rather than the 13 approved last year by Congress.

This is apparently due to a reassessment. When is the BIA contemplating submitting a reprogramming request to accomplish this reorientation of funds?

Mr. SWIMMER. That request for reprogramming is in the Department. We have forwarded it from the Bureau and it's wending its way through the appropriate Department reviewers. I can't give you an exact date of when it will be up here, but we hope soon.

Senator DECONCINI. The 1987 budget request includes $100,000 for the Picacho Dam at San Carlos, AZ. No funds are included for the project in your latest plan on page 277.

Similarly, the $75,000 appropriated in fiscal 1987 for the Tufa Stone Dam at San Carlos, AZ, has been excluded from the latest plan, also on the same page.

How do you explain these changes?

Mr. SWIMMER. As part of the reordering of the priorities and examining the dam safety issues, we determined if the dam is a threat to life or property, that would make it a high priority.

If it's not that, then we look at the general condition of it and also at the economic and programmatic relevance, and we reclassified these in order of priority.

It's our belief now that we're probably looking at a 1990 date for these particular dams.

Senator DECONCINI. Can you give any assurance that the dams from which the funds were diverted will not constitute a hazard to the local citizens?

Mr. SWIMMER. I'm not an engineer, I couldn't give you the absolute assurance. I suppose some work needs to be done on all of the dams to one degree or another. We did have engineering people look at them and reevaluate where we were with the dams program.

Senator DECONCINI. Did they satisfy you that there was not a hazard here by not proceeding with those other dams?

Mr. SWIMMER. I'll let Dr. Ryan answer that, since he's the one that——

HAZARD RATING

Dr. RYAN. I was on the Department's dam safety task force. The Bureau of Reclamation has a hazard rating for all of the dams under the jurisdiction of the Department of the Interior. On that list of dams, there are Bureau of Indian Affairs dams ~~with~~ hazard ratings.

One of my concerns, initially, when I was on the task force was whether a hazard rating meant the probability of failure in an engineering context or what. I wanted to know what the significance of any particular number was in relation to any threat to human life or property.

The answer to the question was that the hazard ranking is not a probability ranking.

Senator DeConcini. It is not a what? A probability?

Dr. Ryan. It's not a probability ranking. It's a statement. It considers a number of factors, construction factors, and other things.

What the dam safety task force did in the Bureau of Indian Affairs was to give 50 percent weight to the hazard rating, and we considered a number of other programmatic factors. But that giving 50 percent weight to hazard actually didn't change much in the relative relationships in terms of the ranking of those projects.

In other words, the top 10 dams in hazard rating before a reevaluation ended up being they were in the top 10 afterward, but there was some relative shifting about.

All we can say is that there is a correlation between hazard and probability of failure, and that those dams that you mentioned were lower on the list in terms of hazard. But we cannot provide any engineering or probabilistic assurances about them.

Senator DeConcini. Can you provide for us a table showing all dam safety projects in your priority order? The total amount needed to complete each project? The status of that project? And the total cost of each?

Also, please give us some kind of a timetable.

Are there any dams that you think need nothing done to them?

In your ranking, do you feel some of them are probably in pretty good shape. Is that correct?

Dr. Ryan. Well, there are certainly a few that would need less work than others, and that are safe that are in the system. We'd be pleased to provide that report to the committee with the information.

[The information follows:]

Dam Safety Projects in Priority Order

The requested information has been supplied to the committee pursuant to the fiscal year 1988 Senate report that requests a comprehensive workable plan for all dam safety projects be sent to the House and Senate Appropriations Committees.

NAVAJO-HOPI RELOCATION PROGRAM

Senator DeConcini. I have a number of questions I'm going to submit for the record because of time constraints. But let me go to a favorite subject of mine, Mr. Swimmer.

The Navajo-Hopi Relocation Commission is an area Mrs. Richardson has worked on for many years up here with this committee.

What would the administrative savings be, and you can supply this for the record, if the Relocation Commission was not funded? That's No. 1. Maybe you know that figure.

Mr. Swimmer. The administrative cost of the Relocation Commission is running about $3.5 million a year at the current level of operations.

Senator DeConcini. If you were appropriated funds to carry out the housing they are involved in now, would that require additional personnel in the BIA to do so?

I know you're doing some of that now. But if it were all turned over to the BIA, have you given any thought to that?

Mr. SWIMMER. More than I like. [Laughter.]

Senator DECONCINI. I hate to bring up a nightmare, but——

Mr. SWIMMER. The burden right now is on working out a satisfactory solution to the 1,215 or so families that are off the HPL and are someplace else, but haven't received their relocation benefit yet.

I think the Commission now has done an assessment, or at least has found where those people are and some of the conditions they're in.

So, depending on how that breaks out as far as those who would simply continue living where they are and opt for a benefit to pay off the house they're in versus someone who has to have a new house built in a rural community or on the new land perhaps, I would say that we could do that.

It would require some extra staff in housing and continuation of the counseling that we're doing now and we're doing on the HPL.

One of the issues that I know the Commission deals with regularly are the appeals. There would have to be a mechanism set up for that.

Senator DECONCINI. Can you give us an estimate for the record what it might cost if that were the will of Congress?

And also, would it require additional legal advice within your Department? Would you have to have more lawyers if that was transferred over to you?

Mr. SWIMMER. I think only if—even a lawyer would be required perhaps for a hearing officer type. I don't think we'd need to have any more legal help.

[The information follows:]

BUREAU ASSUMPTION OF NAVAJO AND HOPI RELOCATION COMMISSION RESPONSIBILITIES

The Navajo and Hopi Indian Relocation Commission [NHIRC] has 60 filled positions including three SES Commissioners and an estimated payroll of $1,710,000 plus benefits. If all NHIRC employees other than the Commissioners were transferred to BIA, the first year salary cost to the BIA would be $1,540,000 plus $35,000 for salary increases as a result of conversion to GS status.

After the transfer of function and a period of transition, BIA managers should be able to absorb some of the functions and it might be possible to separate the following branch chiefs, managerial positions, and support personnel: Executive Director, Director of Management, two secretaries, the Attorney, Research Officer, Personnel Officer, Financial Officer, Management Analyst, Contracts Supervisor, Administrative Coordinator, Director of Relocation Operations, and the Housing Supervisor. A reduction in force would be required, and employees would be entitled to severance pay, lump sum annual leave payments, and retirement refunds which would cost approximately $350,000. Salary savings of approximately $600,000 could be realized, but would be largely offset by these one-time costs.

In summary, the savings from salaries that might be achieved the first year are as follows:

Current Commission salaries	$1,710,000
Salaries of Commissioners	−170,000
RIF costs (severance, lump sum leave, et cetera)	+350,000
GS conversion costs	+35,000
Additional salary savings	−600,000
Subtotal net decreased cost to the Federal Government for salaries	−385,000
Other estimated costs of transfer include:	
Cost to conduct RIF	+10,000
Cost to dispose of accountable property	+25,000
Cost to microfilm and transfer records	+100,000
Cost to terminate existing contracts	+100,000
Subtotal increased costs	+235,000
Net estimated first year savings	150,000

An estimate of the first year savings of a transfer of function from the NHIRC to the Bureau of Indian Affairs totals $150,000. Out-year savings would be greater after the one-time costs are paid.

HOUSING ON THE NEW LANDS

Senator DeConcini. You are in the process of building some homes now—12 or 13? Is that right?

Mr. Swimmer. Yes; we have now 14 units under construction.

Senator DeConcini. When will those be completed?

Mr. Swimmer. May 11.

Senator DeConcini. All of them?

Mr. Swimmer. Yes.

Senator DeConcini. Do you have people ready to move into those homes?

Mr. Swimmer. Yes.

Senator DeConcini. What is your prognosis for additional housing?

Mr. Swimmer. According to our counseling staff assigned to the HPL, the prospects look very good. We should begin building the next group of houses immediately.

We have a number of range permittees and extended families who have now indicated a very strong desire to move. In fact, I believe yesterday or today there are 100 people making site visits who have indicated a desire to select sites on the new lands.

Senator DeConcini. You have 100 interested parties.

Mr. Swimmer. They are on the second or third visit to the new lands. I really believe that we're going to see a large number of people who are resident of the HPL desire the new land and go there soon.

In fact, I think we'll be over capacity for a while in trying to get housing built fast enough.

ADEQUACY OF FUNDING FOR NEW LANDS

Senator DeConcini. Based on the rough start that you got off to, but on the fact that you have 13 coming on board in May, and that's very encouraging, what do you think your capacity is if you had adequate funding for housing for the BIA?

Mr. SWIMMER. We'll be able to build, within our appropriations around 150 houses this year. And that should——

Senator DECONCINI. Is that only limited by the number of dollars that are appropriated?

Mr. SWIMMER. No; that's limited by the time it takes to make the site visits, to counsel with the families, and to select homes. As we begin moving to the new lands, we have a lot of developmental concerns that we have to address—integrating within the school systems, the health care and development of jobs on the new lands.

We're trying not to overrun the new lands, but I think the problem will be trying to hold back. We believe we can build just about as fast as we can and meet the needs of families as they want to go there.

Senator DECONCINI. So that could be far greater than 150, assuming you had everything else in order?

Mr. SWIMMER. Yes; we just have 209 families on the——

Senator DECONCINI. That was going to be my next question.

Mr. SWIMMER. We have 200 families who are certified households residing on the HPL now. That's the number our counselors have been able to identify.

We can complete homes for those now. A few of those people have indicated a desire to move into a range unit where we do not have our temporary water. We have made a decision that until water is there, either in temporary form or the Indian Health Service has completed its water line, that we would not move people to those sites.

That's why it may take us a little bit longer than this year to accomplish the move of all 200.

ADDITIONAL COMMITTEE QUESTIONS

Senator DECONCINI. Mr. Swimmer, I have a number of other questions on that subject matter, as I do every year, and Senator Bingaman and Senator Burdick and I will submit them to you and ask if you and your staff would answer them for us.

And we have no further questions.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Choctaw Elementary School Fire

Question: What is the timetable for completing the planning and design, and when could construction begin on the Choctaw School? What is the target for completion of construction and occupancy of the new facilities?

Answer: All efforts are being made to expedite processes for a timely replacement of the facilities that were damaged at Choctaw Elementary School. The AIE Group, Inc. firm which estimated the fire damage at the school indicated a September 1987 reopen date — using an aggresive contruction contract program and assuming early approval of reconstruction. The Bureau has set no target dates.

Question: How will the 250 students at the Choctaw Elementary School continue their education while the reconstruction proceeds?

Answer: Students are housed in unused rooms at the high school and in tribally-owned buildings situated near the existing campus. Replacement equipment, which was provided by the Office of Facilities Management, was shipped to the Choctaw Elementary School on March 30, 1987.

Alcohol or Substance Abuse and the Phoenix School

The report relating to the Phoenix School states that there are 150 to 200 Indian students with alcohol or substance abuse problems severe enough to require a specialized residential treatment facility.

Question: How is the Indian Health Service involved in addressing this alcohol and substance abuse problem? And how does the BIA work with the Indian Health Service on this matter?

Answer: The report refers to students who live in the Phoenix area and have substance abuse problems; not all of them presently attend Phoenix Indian School. However, the Phoenix Area Office of Indian Health Service (IHS) provides an on-campus alcohol and drug abuse program to students attending Phoenix Indian School. The program has been in operation during the 1986-87 school year. Students are referred to the program by school personnel on an as needed basis. The alcohol and drug abuse program provides specific individual counseling sessions and refers students to other programs such as Alcoholics Anonymous. The Bureau provides space on-campus to house the program, the IHS provides the professional staff members. The school plans to continue the program during the 1987-88 school term.

Since the IHS is responsible for treatment, the BIA plans to work with it to coordinate actions identified in the MOA between IHS and BIA which was published March 26, 1987. The BIA will concentrate on prevention, intervention and referral for treatment. All referrals will be coordinated with the Tribal Action Plan of the Tribe in which the person is enrolled.

Question: How many new staff positions would be needed at the Sherman School, if BIA estimates of increased enrollment at that school are accurate? What are the related costs?

Answer: Since Phoenix Indian School will be open for the 1987-88 school year, we do not expect increased enrollment at Sherman; and therefore do not plan to increase the staff. Within any Bureau school, an increase in student enrollment generates increased ISEF funds and the costs for any increases in staff would be financed by the ISEF increase.

Question: Does the budget include adequate funds to hire such staff in FY 1988 if Congress should possibly agree to BIA's proposal? How would increased transportation costs enter into the equation?

Answer: The FY 1988 budget assumed that Phoenix students would remain in the Bureau's school system; therefore funds are available and the ISEF funds would follow the students. Since Sherman already provides bus transportation to and from the same Arizona communities that send students to Phoenix, any increases in transportation would be minimal.

Substance Abuse/Alcohol Education Programs

Question: The fiscal year 1988 budget included $2.4 million for Substance Abuse/Alcohol Education Programs, a reduction of $3 million below the fiscal year 1987 level. The justification claims that the $3 million reduction represents one-time costs incurred in fiscal year 1987 for curriculum development, technical assistance and purchase of materials for classroom use associated with anti-drug programs. Will BIA have the curriculum development and materials provided to all schools by the end of fiscal year 1987?

Answer: Funding for the development of curriculum and materials was distributed in April 1987. It is anticipated that many schools will be able to add to existing curricula or begin curriculum development this summer.

Question: How many school counselor positions have been filled to date? Does BIA expect all to be hired by the end of the fiscal year?

Answer: The funds for counseling purposes were distributed in April 1987; to date no positions have been filled from these funds. We do not expect all of the positions to be filled by the end of FY 1987.

Question: Please explain in detail how the $2.4 million requested for this activity will be used in fiscal year 1988. Elaborate for the record.

Answer: The funds will be distributed by a formula that provides a base amount for each school plus a distribution based on the ISEF basic WSU's. The funds will be distributed to the Agency Superintendent for Education or the Area Education Programs Administrator. They will work with their schools and the school boards to develop counseling positions based on need and available funding.

Child Abuse Cases

Question: Concern has been expressed about the backlog of cases involving child abuse, especially sexual abuse, in the tribal court systems and the need for special prosecutors and juvenile judges to handle these cases. Is the BIA providing any assistance to address this problem? What are the plans for FY 1988?

Answer: Through BIA Judicial Services, two (2) training sessions on child abuse were provided in FY 1987 to tribal judges and court personnel. Also, in conjunction with BIA Social Services, Judicial Services is providing a total of ten (10) training sessions on child abuse for Social Services personnel, BIA and tribal staff.

Through a joint effort of BIA Social Services, Judicial Services, Law Enforcement, Education and Indian Health Service, minimum guidelines have been formulated for the development of multi-agency "Child Protection Teams" at both Area and Agency levels. Each Area Office will be funded in FY 1987 to provide training in alcohol and drug abuse as it relates to child abuse.

Now that the training materials have been developed, Judicial Services will continue in FY 1988 to provide training on child abuse to court personnel. The activities of the Child Protection Teams will be monitored through reports during FY 1988 to ascertain future needs.

Question: How many reservations have a backlog of such cases?

Answer: So far, two (2) tribes have been identified with large backlogs. The tribes have been reviewed by multi-agency teams (Social Services, Law Enforcement, Judicial Services, Education, and IHS) and recommendations directed to the tribe and Agency.

Question: How will the $200,000 increase in fiscal year 1988 (p. 76) specifically identified for child abuse be used? Will this meet the total estimated need for such funds? If not, what is needed and what are the adverse consequences, if any, of not adequately providing for the need in this area?

Answer: The funds will be used for multi-disciplinary training of those people involved in moving child abuse cases through the tribal court system, (i.e., court personnel, social services, law and order, health providers, education personnel).

The funds should meet the immediate need. Additional data will be acquired during FY 1988 through the monitoring of the Child Protection Teams.

Special Tribal Courts

The Budget Justification (p. 76) indicates an increase of $1 million will be used to provide additional funding to eight existing "needy courts" and to three new multi-tribal appellate court systems.

Question: What is the criteria for determining that a court is "needy"?

Answer: Criteria for determining "needy" courts are being developed and will be published in the Federal Register around the end of September 1987, but will not be implemented until FY 1989. Courts identified for FY 1988 funding were based on tribal requests. The criteria identify base funding levels reflecting FTEs, case loads, and operating budgets. Preference for funding is given to those courts operating below base funding amounts.

Question: How many needy courts are there?

Answer: Twenty-seven (27) tribal courts and two (2) multi-tribal court systems were identified as needy and were funded in FY 1987. Not all of these systems, however, will require additional funding in FY 1988.

Question: Which eight will receive the additional funding? What is the rationale?

Answer: Fort Peck, Crow, Turtle Mountain, Pine Ridge, Winnebago, Northern Cheyenne, San Juan Pueblo, and Santa Clara Pueblo are the eight tribes which requested additional funding. This projection is based on tribal requests relative to the need as compared to the above criteria.

Question: How will these funds be used?

Answer: The funds will be used for training, computerized systems, and staffing.

Question: What was the rationale for the choice of the Billings, Portland and Albuquerque areas for the three appellate courts?

Answer: The Aberdeen Area already has a multi-tribal appellate court system, and a similar system in the Billings Area would result in substantial coverage of the mid-west part of the country. The Portland Area has a functioning multi-tribal appellate system which is in need of financial support. The Albuquerque Area was chosen because the range of court systems, traditional and conventional, and the geographic proximity of the tribes to each other, create an ideal situation for the development of innovative approaches to an intertribal appellate court system.

Question: We have heard that six (6) tribal courts including Winnebago, may have insufficient funds to operate for the remainder of the current fiscal year and may be forced to shut down. Please provide a list of any such courts, the amounts currently available and documented unmet need. Are funds available either in the Special Courts program or through reprogramming to meet any needs identified above?

Answer: All the Area offices have been queried, and Winnebago was the only tribal court to respond indicating insufficient funds to operate for the remainder of the fiscal year. Special court funds in the amount of $11,500 have been allocated to Winnebago to insure that it will continue to operate for the remainder of the fiscal year.

Residential Care for Handicapped Children

Question: According to the Budget Justification (p. 84) the caseload for residential care for handicapped children remained constant at 1200 cases from 1984 through 1987. The budget shows a decrease in 1988 from 1200 cases to 1155 cases. What is the justification for this estimated decrease in caseload for residential care for handicapped children and what are the budgetary implications?

Answer: The decrease in institutional care is a result of increased staff efforts to place children in the least restrictive setting. The decrease reflects increased quality control efforts of staff to identify other available resources for payment of care. The budgetary requests remain the same due to projected increased institutional placement costs which offset the decreased caseload.

Indian Child Welfare Act Grant Program

Question: The reductions in the Indian Child Welfare Grant Program are a matter of concern to a number of the Members of Committee. In fiscal year 1987 the Committee agreed to reduce the program to $6.1 million, on the basis that it was a one-time only reduction and could be taken without significantly adversely effecting the program due to the delay in funding fiscal year 1986 grant awards due to the Gramm-Rudman reductions. It was the expectation of some members that the program would be returned to the $8.8 million level in FY 1988. Did BIA consider restoring the program to the $8.8 million level in FY 1988? What factors determined the budget request level of $6.1 million?

Answer: The $6.1 million included in the FY 1988 budget represents the base funding level for this program. In considering the funding requirements for the Indian Child Welfare Act Grant program for FY 1988, it was decided that $6.1 million would fully fund the requirements for the program on reservations. Other similar programs and funding are available for off-reservation urban organizations. The FY 1988 budget allows BIA to focus its resources upon its basic constituency of federally-recognized Indian tribes in the continental 48 states, as is done in most other programs administered by the Bureau. As Indian tribes on reservations have historically had fewer funding resources than these urban organizations and do not have access to other programs which may be available in off-reservation areas, the FY 1988 budget insures that the quality of reservation ICWA programs is not penalized by a sharing of these funds with urban locations. Therefore, the base funding level of $6.1 million is sufficient to meet the needs of reservation Indians.

Question: Please provide for the record a table showing the number and dollar amounts of grants awarded in 1986, which cannot be renewed in FY 1987 based on current funding. Indicate when the contracts expire and the dollar total which would be required only to extend the contracts through the end of the current fiscal year.

Answer: The only Indian Child Welfare Act grants which might be considered as "renewed" are multi-year grants awarded in FY 1986. The Bureau initiated the multi-year grant program in FY 1986 to stabilize tribal programs and protect them from competing for a grant on a yearly basis. In FY 1986 three-fourths of the Bureau's funding was identified for multi-year projects, and the remaining one-fourth for single-year projects. A policy decision was made to continue funding the FY 1986 multi-year projects in FY 1987 at the same level as FY 1986. Thus there is no need for additional funding to extend these contracts through the end of the fiscal year.

Question: What will be the impact of reducing the ability of tribes to provide these child welfare services?

Answer: The amounts provided in the budget are sufficient to cover the needs of tribes as estimated by the Bureau. This is a high priority program within BIA's Social Services as the number of reported child abuse and neglect cases on reservations has been escalating, and these programs provide needed preventive services necessary to keep Indian children and families together. These programs are considered vital to address child welfare problems on reservations and cases referred from state courts, and keeping the number of Indian children separated from their families at a minimum. It is for this reason we have recommended in the past that resources in this program be focused on or near Indian reservations, where they will have the most impact.

Economic Self-Assistance Initiative

Question: We understand that housing will no longer be part of the self-assistance initiative, but that the HIP program will be redirected to elderly and handicapped. What is the basis for the change and what is the status of needed regulatory changes? A number of tribes have expressed opposition to the reduction to the Committee. The budget proposes an Economic Self-Assistance Initiative aimed at enabling Indian individuals who receive welfare assistance to "achieve sustained and meaningful work and skill development" (p. 4). What is the status of proposed regulations to implement the program, in the event that Congress should approve it?

Answer: The Bureau has decided that the HIP program will remain the same and will not propose any regulatory changes. Currently, consultation comments from the tribes about the self-assistance initiative are being analyzed. In the near future, an administrative team will be designated which will have responsibility for developing the regulatory changes required for implementation of this program.

Question: According to the Justification (p. 4), the initiative would "involve coordinating operation of the Housing Improvement, General Assistance, Adult Education, and Employment Assistance Programs...redirecting them in a manner that encourages and enables self-assistance." How would this work in practice? Would the funds in each program continue to be accounted for as provided by Congress? Or do you propose that they be co-mingled? How would this impact on the Committee's reprogramming guidelines?

Answer: Initially the proposed economic self-assistance initiative involved coordination between the programs referenced. Currently consultation comments from the tribes about the self-assistance initiative are being analyzed. In the near future, an administrative team will be designated which will have responsibility for developing the regulatory changes required for implementation of this program. As a possible consideration, BIA may determine, through the consultation process that it would be more prudent to proceed with demonstration projects before implementing the initiative Bureau-wide. The Bureau would work with tribes who have expressed an interest in self-assistance to design a program best suited to individual tribal needs, as determined in the regulatory changes.

Question: Could this initiative result in unemployed Indians currently on General Assistance displacing, as a condition of receiving further assistance, Indians who are already employed in a BIA program, such as the Housing Improvement Program? What would prevent this from happening?

Answer: Replacement of currently employed workers will be prevented or minimized by developing or encouraging new employment opportunities for the participants rather than relying solely on existing jobs.

Question: What would happen to an individual who took work in a BIA program such as the Housing Improvement Program, as a condition for receiving general assistance, once the improvement program is completed. Would that individual be allowed to continue to receive general assistance?

Answer: Although the specific regulatory changes have not been developed and BIA is currently consulting with tribes and others in developing the program, we anticipate that the tribes involved in coordinating programs at the local level would work with the Bureau to establish guidelines for their particular location.

Question: What would happen to an individual who enrolled in a BIA training program as a condition for receiving general assistance, if, once the training is completed, there are no jobs available in a high-unemployment locality? Would that individual be permitted to continue to receive general assistance?

Answer: Although the specific regulatory changes have not been developed and BIA is currently consulting with tribes and others in developing the program, we anticipate that if an individual is unable to find employment and his income meets the requirements specified in regulations, he would be able to receive general assistance.

Question: Most reservations currently suffer from a lack of jobs and high unemployment. What is the long-range potential for this new initiative in such a high unemployment environment?

Answer: BIA is currently consulting with tribes and others in developing the program, and specific regulatory changes The Bureau believes employment opportunities will be attracted to the reservation when a trained workforce is present. Demonstration projects, it is hoped, will confirm this.

Substance Abuse/Alcohol-Law Enforcement

The Budget Justification (p. 91) indicates a reduction of $3.6 million in fiscal year 1988 for substance abuse and alcohol law enforcement. The fiscal year 1987 funding level included $3 million for law enforcement training; $100,000 to develop a model juvenile code; and $500,000 for assistance to the Papago Tribe for increasing controls on drug trafficking.

Question: What is the status of the training program? When will it occur, and how will it be conducted?

Answer: The following training programs are in place or under development:

1. A course for the newly established Marijuana Eradication and Reconnaissance Team (MERT), was conducted in May 1987, and another is scheduled for July 1987. This course was developed by BIA utilizing instructors from other enforcement agencies.

2. A course for Bureau of Indian Affairs (BIA) and Tribal Police Officers will cover topics relating to the identification, trafficking, detection, investigation, and prosecution of narcotics violations. Criminal investigators will receive training in under-cover narcotics investigations. This field locations beginning in mid-July 1987.

3. Additional hours of instruction on drug and alcohol topics will be added to existing course curriculums at the Indian Police Academy. This should be completed and implemented by September 1987.

Question: Will all Law Enforcement personnel, Bureau and tribal, be trained during fiscal year 1987? If not, how will the remaining staff be trained and how will new personnel be trained in the future?

Answer: There are approximately 1,000 BIA and tribal law enforcement personnel scheduled to receive alcohol and drug abuse training in FY 1987. It is not possible to train all Law Enforcement personnel in the remainder of this fiscal year. However, the courses developed will be available at the Indian Police Academy to provide training during fiscal year 1988 and for new personnel in the future.

Question: When will the model juvenile code be available? How is it's development progressing and to what use will it be put, once completed?

Answer: The model juvenile code will be available by October 1987. It will then be applied to juvenile cases in tribal and BIA courts.

Question: Has the grant been made to Papago Tribe for increasing controls on drug trafficking? How will the funds be used? How will the need be met in the future?

Answer: The Papago Tribe received a $500,000 grant to increase patrols through added manpower and equipment in order to reduce drug trafficking through the reservation. Much of the grant will be used to meet one-time costs of establishing a more effective program. In the future, the tribe will be maintaining this activity within their regular law enforcement budget. As this activity is on the Indian Priority System, the tribe has the ability to increase funds under this budget line to cover its anticipated needs.

15% Indirect Cost Flat Fee

The Fiscal Year 1988 Budget (p.96) proposes a 15% flat fee to cover indirect costs associated with tribal contracting.

Question: Now that the flat fee has been abandoned, would you recommend returning contract support to the programs or would you recommend maintaining the line item structure proposed in the 1988 request?

Answer: For the time being, we recommend the use of the line item structure as proposed in our FY 1988 budget request. This would keep the funds together and visible in one place until an appropriate distribution method is agreed upon. For FY 1988 this would not prevent the Bureau from administratively redistributing the funds to the programs, in accordance with prior "grandfathered" levels, should it prove impossible to arrive at an improved methodology before the beginning of the fiscal year.

Question: As the 15% flat fee proposal of indirect costs is no longer viable, will there be a lesser need for part of the $4 million increase for the small tribes/specialized technical assistance initiatives? Is it possible to estimate what portion of this increase might be related to the 15% flat fee proposal?

Answer: A major portion of the requested increase was intended to help small tribes maintain basic governmental support functions in the absence of indirect cost payments exceeding 15%. This need for support will change because of the dropping of the 15 percent proposal. We have not estimated what portion of the increase is related to the anticipated loss of indirect cost support; however, we note that if the current indirect cost system is left in place for FY 1988, part of this increase might be more effectively utilized if moved to the CSF line item.

Mellon Bank Contract

Question: The proposed contract for Trust Funds Management Services, which the Bureau had planned to award to the Mellon Bank, has generated considerable controversy. What steps does the BIA plan to take to assure that the appropriate committee's of Congress and the affected tribes are in agreement with whatever proposal is agreed upon before implementation of such proposal?

Answer: On April 15, 1987, the Bureau published in the Federal Register the consultation policy which will be followed prior to the procurement of collection, accounting, investment advisory services and custodial services to assist the Bureau in improving its Financial Trust Services program. On April 20, 1987, in a letter to each tribal leader, the Assistant Secretary - Indian Affairs advised each tribe of the publication of the consultation policy and of the Bureau's intent to keep the tribes informed and to solicit active participation in the consultation process.

The appropriate Congressional committees have been provided with all the information which has been disseminated to tribes and the Bureau will continue to keep the committees informed.

The draft Request for Proposals is being provided to all tribes by the Bureau Agency Superintendents prior to consultation meetings, which will be scheduled after the Agency Superintendents and Area Directors have been thoroughly briefed on the proposed contract and the requirements for the services being requested.

In summary, the Bureau will follow the process outlined in the published Consultation Policy to assure that all interested parties have an opportunity to discuss the proposal as well as provide suggestions, recommendations, and other comments prior to issuance of the final Request for Proposals to solicit bids from potential contractors.

Forestry Program Initiative

Question: The budget request includes a series of proposals in the Forestry program. Please explain how the Forestry initiative will affect tribal employment levels?

Answer: Tribal employment will be reduced. This effect will vary from location to location, depending on current tribal uses of timber sales revenues. The effect will be greater on tribes that devote all their revenues to employment-intensive tribal programs than on those that divert some surplus into tribal trust funds.

Question: Are the tribes generally opposed to this initiative on the basis that it will increase tribal unemployment?

Answer: Yes, several tribes, and the Intertribal Timber Council (made up of 51 tribes and Alaska Native organizations), testified before the House Appropriations' Subcommittee on March 5, 1987, opposing the initiatives proposed for the forestry program.

Question: How real are the tribal concerns and what does the BIA plan to do to deal with those concerns?

Answer: The tribal concerns are real. However, the BIA will conduct consultation with tribes to address their concerns regarding the proposed initiatives before taking final action.

Question: If this initiative does tend to increase unemployment, would that not conflict with the "Economic Self-Assistance Initiative"?

Answer: The BIA is, of course, concerned with any decrease in employment opportunities on reservations and is actively engaged in efforts to make more employment available. The self-assistance initiative is an example of this. At the same time, the Bureau must be concerned with controlling spending. In the current fiscal climate, new initiatives generally require offsets. The FY 1988 BIA budget proposes a large number of spending increases which are offset by several proposed cuts. It is arguable that any BIA funding reduction, taken alone, will have a negative effect on Indian employment; the overall goal, however, is for employment improvements attributable to initiatives like Self-Assistance to more than outweigh the effects of proposed cuts, so that the total employment situation of Indian people will improve. We believe that, taken as a whole, our budget proposal achieves this. Moreover, as we have pointed out before there is a fairness issue involved here. As long as BIA continues to permit timber tribes to receive timber sales revenues without BIA netting out the administrative expense of managing these sales (as it is authorized to by law), it is providing these tribes with a subsidy that more resource-poor tribes do not receive. The Bureau would prefer to use its limited funds for purposes that benefit all tribes.

Question: Please explain for the record the relationship between the $3.15 million reduction on page 153 for "Forest Development" on Indian timber sales and the relationship with Forest Service and Bureau of Land Management timber sales. I am advised that the tribes are concerned that the new initiative will put them at a competitive disadvantage with regard to the timber sales of these other federal agencies. What, if anything, can the BIA provide for the record to allay the fears of the tribes in this regard?

Answer: The forest development program affected by the $3.15 million reduction is a program separate from the basic BIA forest development activities. The program was initiated in FY 1977 to eliminate the backlog of forested acres that required reforestation or timber stand improvement. The backlog was approximately 1 million acres, and has now been reduced to approximately 500,000 acres. The funding reduction will cause the remaining backlog to be eliminated over a longer period of time and will keep those acres from being fully productive over a longer period.

Aside from that program, there are on-going reforestation and timber stand improvement activities on other lands. Timber sale contracts now require that cutover lands, where appropriate, be reforested so that additional backlog will not accrue.

Timber Sales Administration includes activities that delineate timber sale areas for harvest, calculate volume and value of forest products, prepare and award competitive bid contracts, monitor timber sale contract activities during operations, and terminate the contract upon completion of all obligations.

The tribes' concerns regarding being placed at a competitive disadvantage in timber sales relate to the fact that our initiative to eliminate tribal timber sales that do not cover sales costs, while the Forest Service and Bureau of Land Management continue to offer "below cost" timber sales, would permit Indian timber to be theoretically priced out of the market in areas where the three agencies "compete." However, the tribes are unlikely to be put at such a disadvantage, for two reasons. First, "below cost" sales of these agencies are sales that fail to recover all the costs of managing their timber - protection, development, planning, and sales administration costs. The tribal sales BIA would eliminate are only those that fail to cover sales administration costs. The Bureau would continue to provide forest protection, development and planning free of charge, without requiring revenues to cover these costs. Thus, the tribes will still be able to price at a level that from the Forest Service/BLM perspective would be considered "below cost", and will still be able to compete. Second, Indian timber is a more valuable product which commands a higher price than timber sold by these agencies, because the purchaser of Indian timber can take advantage of a restriction-free export market, as well as the domestic market.

Construction - Turtle Mountain School

Question: What is the latest status of the Turtle Mountain Middle School and the need for an additional $2.6 million above the budget request of $8.4 million to convert open classroom space to self-contained classrooms, and the need for the locker room to be modified to accommodate the handicapped? When will the design be ready for the entire complex, including the two items above?

Answer: Construction documents (drawings and specifications) are 70 percent completed. Completion of design for the entire complex, including the gymnasium addition and the conversion of open to self-contained classrooms, is expected by July 1, 1987.

The projected additional funds required above the budget request of $8.4 million, which is considered adequate by the Department, originated with the Turtle Mountain Band of Chippewa Indians. The Tribe is providing project design services to the Bureau under the provisions of P.L. 93-638. In arriving at the increased level, the Tribe proposes that the Bureau's construction budget for the academic building was underestimated and concludes that it may not be adequate to fulfill the original educational program needs. The Bureau does not agree with this premise and has asked the Tribe to reassess the construction methods and materials proposed in the design. Also, the Tribe has been asked to delete proposed additions which would result in increased costs for such things as exterior playground equipment with related paving, certain parking, and other items which were not contained in the Bureau's educational program. The Bureau believes that adherence to the design program will lead to a project construction cost that is within the $8.4 million budget.

Tribally Controlled Community Colleges Supplement

Question: The Budget Justification (p. 107) indicates that the supplement for tribally controlled community colleges is decreased in Fiscal Year 1988 by $287,000 or 24% below the Fiscal Year 1987 base level of $1,205,000. Which colleges are affected and in what amount? What role did the tribes have in this decision?

Answer: This program is contained in the Indian Priority System which allows the tribes to move funds to meet locally determined priorities. Any increases or decreases to the colleges are based on tribal decision-making.

The following table displays the differences:

	FY 1987 Appropriation	FY 1988 Request
Fort Berthold	$ 50,000	55,200
Oglala Lakota	302,000	308,900
Sinte Gleska	136,500	140,100
Turtle Mountain	98,000	81,700
Blackfeet	5,000	5,000
Dull Knife *	590,700	326,800
	$1,183,000	$917,700

* Dull Knife is the only community college which has grandfathered contract support funds (CSF) included in its funding. The reduction in Dull Knife's funding includes the transfer of CSF from program funds to Self-Determination Services, as well as a tribal reduction in its funding level.

In FY 1986 and FY 1987, Oglala Lakota, Sinte Gleska, and Turtle Mountain received CSF from the Education contract support line item of the budget.

Construction - Western Cheyenne River School

The Committee recently received a reprogramming request on the Western Cheyenne River School which would raise the funds available from $4.5 million to $6.7 million. The funds for the reprogramming are to come from unobligated balances in the construction account.

Question: What caused this 50% jump in estimated cost and why were these matters not anticipated in the formulation of the program of requirements?

Answer: The Department is in the process of reviewing the cost estimating process undertaken on this project and will be submitting a report to the committees for consideration during June, 1987. An increase of about $1 million was required as the local rural electric cooperative was unable to extend the power line to the site. Seven additional units of quarters were requested (+$636,200) after the orginal design was developed. Furthermore, the actual low bid for on-site construction exceeded the original estimate by $668,000.

Question: Please provide for the record a breakdown of the unobligated balances in all of the construction projects, giving the project name, year, and status, with an estimate of the amount in each project which would be excess to current needs and available for reprogramming.

Answer: To be developed.

Construction - Substance Abuse

Question: On page 268 of the Justification, an amount of $5 million in FY 1987 is identified for substance abuse/alcohol programs for emergency shelter and halfway house construction. Another $7.5 million are identified for construction and renovation of juvenile detention facilities. What is the status of the significant milestone events, leading to the utilization of these funds and the completion of the project.

Answer: The BIA is conducting an inventory of existing buildings, utilization loads and program needs, based on the number, type, and severity of juvenile problems to determine siting criteria to be used in selecting potential sites for renovation and/or construction.

The Inventories will be completed in mid-June and turned over to the Office of Construction Management, DOI which has been designated as the responsible Office for all phases and activities for these funds. It is anticipated that potential site selection can be started in July or August.

Construction - Proposed Rescissions

Question: Please provide for the record the status of the irrigation projects proposed for recission (Navajo Irrigation Project, Gila River Farms and Fort McDowell) in Fiscal Year 1987, including significant milestone events leading to the completion of the projects. How much in additional funds could be used at the Navajo project and at the Gila River Farms project? Also, please give a similar report on the Housing Construction programs, part of which was proposed for recission; and the funds for the Juvenile Detention Centers.

Answer: Navajo Indian Irrigation Project funds have been transferred to Bureau of Reclamation. The funding of $5.0 million will continue construction on Block 6. As to additional funds, the present funding amount identified for completion of Block 6, and to the specifications and designs for Block 7 is $10.1 million. Because of the delay in releasing FY 1987 funds this amount could not be spent in FY 1988. Because of the delay in releasing FY 1987 funds, this amount could not be spent in FY 1988.

For Gila River Farms, $2.5 million has been made available for obligation and will provide canal lining and field irrigation structures, as well as about 700 acres that will be leveled and prepared for irrigation. No application for contracting has yet been received from Gila River. The area staff is working with them to identify specifically the areas in which Gila River will be working.

Fort McDowell Indian Irrigation Project funds have been sent to the area. For this 1,000 acre unit, the $1.5 million add on and the $900,000 of redirected Jobs Bill irrigation funds will complete the construction for the unit. The Fort McDowell application for contract is expected in the area office shortly.

All funds which were proposed for rescission have been released. Except for the money for the juvenile detention centers, all funds have been distributed.

New Tribes

Question: The justification indicates that any funds required for newly recognized tribes would come from existing IPS base. How would this work?

Answer: The total funding base for the tribes/agency IPS will be reduced by the amount required to fund new tribes. Total requirements are not yet known, but would probably result in a reduction of less than one percent of the existing base.

Question: The Klamath and Gay Head Tribes have recently been recognized. Are there any funds contained on the FY 1988 request for these tribes?

Answer: Funding for the Klamath and Gay Head Tribes have not been included in the FY 1988 request. Needs for these tribes can be met by the method described above.

Question: How much would be required to fund these two tribes in FY 1988?

Answer: Funding requirements for the two tribes in FY 1988 are as follows based on $1000 per person in the estimated population. In FY 1987 $206,000 is being provided for Klamath.

Gay Head Tribe - $ 552,000
Klamath Tribe - $2,200,000

Question: Provide a list of other tribes which may be recognized in the next year and a half and the estimated budgetary resources which would be required.

Answer: Because of the speculative nature of predicting tribal recognitions, formal needs assessments for new tribes are not performed until after recognition occurs. We would not recommend providing funding for tribes which "may be recognized," given this uncertainty and given BIA's billion-dollar resource base, within which it is usually possible to identify sources of short-term funding to tide over newly-recognized tribes until a permanent funding base is established. However, in order to be responsive to the question we are providing the following preliminary estimates for the record based on an estimate of $1000 per person in the projected population. This does not constitute any commitment that the subject tribes will in fact be recognized.

Tribe	Estimated Funding Need
San Juan Paiute	$ 175,000
Miami of Indiana	$ 3,300,000
Ysleta Del Sur Pueblo	$ 1,124,000
Alabama-Coushatta	$ 850,000

Questions Submitted by Senator J. Bennett Johnston, Jr.

Question 1: Mr. Swimmer, please clarify who has jurisdiction on the Louisiana reservations. Is it the State, Federal Government, Indian tribe, etc.?

Answer: The Interior Department, acting through the Bureau of Indian Affairs, exercises Federal jurisdiction on the three Louisiana Reservations as on all other Federally-recognized Indian reservations in the United States.

Question 2: How are you implementing law and order on the Louisiana reservations?

Answer: Two Indian Police Officers are stationed in Louisiana and perform circuit riding duties to the three Federally-recognized reservations. In critical situations, support is available from other Bureau Law Enforcement Agencies on temporary assignment. Clerical and administrative support is provided from the Choctaw Agency in Philadelphia, Mississippi.

Question 3: Are the Tribes in Louisiana interested in contracting for the law and order program?

Answer: It is the Bureau's understanding that the Louisiana tribes are interested in contracting their law and order programs; however, there have been no formal requests received at the area or central office.

Question 4: How much money is available for law and order programs on Louisiana's reservations? In your opinion, is this an adequate sum to do the job? Please explain your answer.

Answer: The FY 1987 law and order budget for Louisiana is approximately $160,000 which includes the cost of stationing police officers in Louisiana plus a small reserve for funding additional detail of personnel if needed for emergencies.

The Bureau feels that the FY 1987 Law Enforcement funding of $160,000 is adequate to meet identified needs.

Question 5: What is the base funding for tribes of comparable size in Louisiana to other tribes in non-P.L. 280 states for law enforcement and judicial services?

Answer: Distribution of Law Enforcement and Judicial Services funding is determined by tribal priority based on the tribes' determination of need. Therefore, actual base funding for tribes of similar size can vary significantly for these programs. Also, in the case of small tribes, such as the Louisiana tribes, they are usually served from a multi-tribal agency and it is difficult to determine tribal funding in an accounting system which is Agency based. However, we estimate that tribes of similar size would spend about $50,000 per year for these functions.

Question 6: Do you think a budget of $50,000 for each of the respective tribes in Louisiana is anywhere near an adequate budget to operate an existing law enforcement program, let alone programs which have to start from scratch? This includes code development, training, equipment and facilities.

Answer: Yes. See the answer to question #7 showing estimated start up costs.

Question 7: What are comparable expenditures for other non P.L. 280 tribes for start up costs for the following activities:

a. code development
b. equipment and facilities
c. training
d. development of comprehensive judicial services and training?

Answer: As follows:

a. Code Development: $5,000 - $10,000 depending on complexity.

b. Equipment and Facilities: Due to the limited number of new starts in Law Enforcement and Judicial Services, we are unable to provide exact comparable costs. However, some of the following information was provided by various tribes and personnel. All information has been reviewed by Bureau staff at the area and central office level and can be considered to be realistic.

Facilities: $5,000 - minimal amount of office space rental.

Office Equipment: $12,000 - including a personal computer, desks, chairs, typewriters, calculators, photographic equipment, miscellaneous equipment and office supplies.

Communication Equipment: $2,000 - base station and car radio without repeaters.

Officer Equipment: $1,600 (per officer) for uniforms, revolver, shotgun and rifle.

Reference Material: $300 - manuals, code books, state reference material, etc.

Vehicle: $13,000 - estimated purchase price per vehicle.

c. Training: $1,000 per officer.

Question 8: I understand that the Chitimacha tribe is expected to receive $10,000 in base funding for BIA programs and that the Tunica-Biloxi tribe will receive $125,000 in base funding for BIA programs? How do these base funding figures compare with the average base funding for tribes of comparable size throughout the United States?

Answer: In FY 1987, the tribe/agency funding for the Chitimacha tribe was $13,500 and non-tribe/agency funding was $384,916. The Tunica/Biloxi tribe received $143,200 in tribe/agency funding and $115,200 in non-tribe/agency funding.

The tentative FY 1988 tribe/agency funding for the Chitimacha tribe is $13,300 and $125,500 for the Tunica/Biloxi tribe. It is estimated that the non-tribe/agency funding will be about the same as was allocated in FY 1987.

Funding cannot be compared solely on the basis of tribal population. Other factors which impact funding include size of the reservation, presence of natural resources, remoteness of reservation, results of needs assessments, etc.

The Bureau of Indian Affairs does not distribute funds on a per capita basis. However, the FY 1987 amount provided for the Operation of Indian Programs account would average to $1,069 per capita. A per capita calculation for the Chitimacha tribe would be $1,619 or 50% more than the Bureau average.

Question 9: What is being done to rectify any disparities in base funding between tribes of comparable size?

Answer: The Bureau's FY 1988 budget request includes $700,000 to perform special studies related to the identification of criteria and methods for determining equity in the allocation of funding among tribes it services. The funds will also finance efforts to consult with tribal governments, both in identifying the criteria to be used as well as in developing the final method to be used for Bureau allocations in future fiscal years.

Question 10: What is being done to rectify the staffing deficiencies at Choctaw Agency?

Answer: The position of Choctaw Agency Superintendent for Education is currently vacant, but will be filled shortly. The Bureau is not aware of any other staffing deficiencies at the Choctaw agency.

Question 11: Why has the Louisiana field office not become a reality?

Answer: Bureau analysis does not indicate a clear cost-effective benefit for a Louisiana field office. This could conceivably change if additional tribes in the area are recognized.

Question 12: Why do tribes not receive adequate services in all areas? Is it because they lack the resources to provide the necessary expertise to clearly define the Bureau's responsibility to the tribes? What is the Bureau doing to rectify this situation?

Answer: Several attempts have been made by the Bureau to determine "equity" within individual programs such as law enforcement, but there has been no overall plan to address the allocation of Bureau funds. As stated in the answer to question #9, the Bureau has requested funds in FY 1988 to study the issue of "equity."

Assuming that an acceptable methodology is developed as a result of the special studies, the Bureau would apply it to its operating program funding resources to determine a reasonable "base" for each tribe. Once that base was established, it would be the Bureau's intention to use direct input from the tribal governments to determine the specific programmatic priorities and details of future budget requests.

QUESTIONS SUBMITTED BY SENATOR DENNIS DECONCINI

San Carlos Project/Coolidge Dam

Question: How much money is necessary to complete the power generation rehabilitation efforts at Coolidge? How much has been spent to date?

Answer: Expenditure of about $3,000,000 would provide for another 12-15 years of life for the power system, as an intermediate action, using present generators, without rewinding them, pending the outcome of the proposed modification report by the Bureau of Reclamation. Further studies would be necessary to determine the estimated cost of upgrading the power plant to obtain a plant life of 50 years or more. Less than $50,000 has been expended to date.

Question: When will the Department rule on the rate increase request from the San Carlos Irrigation and Drainage District for the San Carlos Project?

Answer: A Proposed Rule will be submitted for publication in the Federal Register, and the rate will probably become effective in the fall of 1987.

Question: How timely can an inventory of the property comprising the San Carlos Project be completed and at what cost? Can you provide this information if the work was done by the BIA and if the work was contracted out?

Answer: Inventory and mapping of the electric power system is underway, but it was delayed because of lack of personnel. Recently, a draftsman was sent from the Area Office to assist in this work. Priority attention will be given to filling of vacant positions at the project, which could help in completing the project in less than the 18 months originally anticipated. No firm cost amount has been established; however, the cost is estimated at $200,000.

Contracting has not been explored nor has the Bureau estimated the cost of a contract. Considering the time it takes to put together a statement of work, issue an RFP, and have a contract initiated, it is likely that contracting would delay the effort, and probably cost more than it would to conduct the work in-house.

Question: Do you have funds and resources necessary to complete this assessment in Fiscal Year 1987? If not, how much is necessary?

Answer: There are sufficient funds to cover the inventory and mapping of the electric power system.

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

United Tribes Educational Technical Center

Question 1: In the Fiscal Year 1988 budget request, the BIA has recommended $1,238,000 for the United Tribes Educational Technical Center. This is $395,000 less than what UTETC received in FY 1987. Are you aware Mr. Swimmer that these cuts will force UTETC to close its doors?

Since 1979, UTETC has experienced several reductions in the base direct operating budget. From the 1979 appropriation of $1.585 million the successive budgets have been: 1980, $1.429 million; 1981, $1.338 million; 1982, $1.056 million; 1983, $1.056 million; 1984, $1.210 million; and 1985, $1.167 million. The 1985 appropriation represent a reduction of 26.4% over the 1979 budget. The FY 1987 level of funding is $1.6 million which includes direct budget (program) and contract support funds from the BIA.

I understand that the Bureau of Indian Affairs, at the Aberdeen Area BIA Office and Washington levels, is suggesting that the local tribal BIA agencies allocate funds from their already depleted resources to cover any shortfalls at UTETC. Is this true? Where do you see these resources for the tribes coming from?

Please explain your justification in recommending such a minimal amount for UTETC.

Answer: The $395,000 reduction in the FY 1988 budget request for UTETC represents only the Indirect Cost amount of contract support funds. In FY 1988, Contract Support Funds (CSF) were taken out of programs on the same basis as they were added in FY 1985 and are consolidated in a single line item under self-Determination Services. This addition of funds was provided on a one-time basis in FY 1985 and is now being "ungrandfathered" or taken back from programs in the same fashion. UTETC will not experience a reduction in direct program funding in FY 1988, but will remain at the FY 1987 funding level. UTETC will receive contract support funds in FY 1988 from the line item and it is not anticipated that there would be any significant change in the total funding provided, or, by extension, in the ability of UTETC to continue operations.

Question 2: UTETC is in critical need of assistance to repair and improve 3.2 miles of campus road at a cost of $700,000. Lack of available resources has meant that for the last 11 years little or no repair has been possible.

I understand that these funds have been sought for years with no response from the agency. I need to get a better sense of why nothing has been done at the agency level to see that this project gets funding. Can you tell me if it has ever been on an agency priority list? What can UTETC do to get serious consideration from the agency?

Answer: The legal definition of Indian reservation roads requires that we construct public roads serving reservations. UTETC is not located on an Indian reservation. Additionally, the Bureau of Indian Affairs' policy is to construct roads based on priorities established by the tribal governments. None of the United Sioux Tribes has established a priority for UTETC roads; therefore, it has never been on any BIA agency priority list.

The BIA has previously suggested, most recently in 1985, that the school request priority setting for these campus roads by one or more of the United Sioux Tribes. That still remains the best approach to receive serious consideration.

Question 3: As you are aware the Turtle Mountain School will be constructed in FY 1988. An additional sum of $2 million is needed to remodel open classrooms (to closed classrooms) and to add a locker room addition in the portion of the middle school that was unharmed by the fire.

Can the Bureau of Indian Affairs accommodate this additional need in the FY 1988 budget?

Answer: This proposed construction is an addition to the requirements for the future Turtle Mountain School which were established in the education specification agreed to by the school board. Consequently, the costs for the additional work were not anticipated nor included in our budget estimates for new construction projects. In our view these modifications, which are unrelated to repairing damage caused by the fire, are a low priority versus other construction needs.

QUESTIONS SUBMITTED BY SENATOR JAMES A. MCCLURE

Reprogramming Procedures

Question 1: You have requested that the current reprogramming guidelines be modified to increase the ability of the Bureau to administratively respond to tribal requests to enter into program consolidations which fit within each subactivity. While you do not recommend a specific change in the guidelines you have suggested two alternatives that would provide increased flexibility.

First, is to increase the $250,000 limit for tribally requested administrative reprogramming within each Tribe/Agency Operations subactivity.

The second suggestion removes any limit over shifts within each Tribe/Agency subactivity.

In the past, how many tribal requests have been delayed because of the reprogramming guidelines?

Answer: In order to keep track of all reprogrammings so that the Bureau remains within established reprogramming guidelines, all tribal requests must come to the central office for review; therefore, all tribal requests are delayed under the current system. Concurrence for reprogramming must be provided by the agency superintendent, the area director, and as many as five different offices within the central office of the Bureau. It is not uncommon for six months to elapse between the initial tribal request and notification from the central office that the request has been approved. This delay may be extended by two months or more when the reprogramming request would cause the Bureau to breach the $250,000 limit. In such instances, after Bureau clearance, the requests must go forward to Congress for approval, thus necessitating Departmental and Office of Management and Budget review.

In the current fiscal year, the Bureau has received approximately 80 tribally initiated reprogramming requests.

Question: What was the impact of these delays?

Answer: The funds can be used neither for the original purpose nor for the revised priorities for up to half of a year. Once approval is received, it may not be possible to carry out the program as envisioned due to the time lag between the original submission of the request and final approval.

Question: Why do you feel the Bureau should be different from other agencies within the Department of Interior?

Answer: Only the BIA budget formulation process provides for direct input from Indian tribes and allows for priorities to be established independent of those of the Bureau. This is a reflection of the self-determination policy which both the Administration and Congress have endorsed. The history of the government to government relationship between the Bureau and Indian tribes, and various acts of Congress, provide the precedent for different consideration being given to this portion of the Bureau's budget.

Local Control of Schools

Question 2: A major Bureau initiative in FY 1988 (p. 39) is to improve the quality of education for Indian children and to continue to move the management of education to the local level. The initiative seeks to encourage tribes to contract for reservation-wide school systems or for individual schools. How will tribes be encouraged to do this? If tribes do not cooperate, what actions will you take?

Answer: The Conference Report on the Supplemental Appropriations Bill, 1987 states: "With regard to the language prohibiting implementation or steps leading to implementation of the initiatives proposed by the Bureau in its fiscal year 1988 budget, the Bureau should limit any activity with relation to these proposed initiatives to briefings of interested parties and the Congress, and consulting with Indian tribes. No preparation or publication of draft or proposed regulations should occur until final Congressional disposition of these initiatives. The initiatives included under this language include, but are not limited to: transferring, by contract or otherwise, Bureau-operated schools to tribal, State or local control (except where a tribe requests to contract to operate a Bureau school under a P.L. 93-638 contract); charging tuition at Bureau post-secondary schools; ..."

It is the Bureau's plan to continue to encourage tribes to contract for their education programs by providing technical assistance and training. The Education Line Officers will continue to work with tribes under their jurisdiction to develop education plans and departments through which they might contract for their educational programs. The Bureau will continue to monitor existing Public Law 93-638 education contracts on a quarterly basis to provide additional technical assistance to the tribes for improvement of the contracting system.

Question 3: Your justification cites several "success stories" relating to local control. Since you are already experiencing success in this area, why do you feel formalizing the process will increase success?

Answer: There continues to be success stories in any system, but in some instances those success stories exist in spite of the system. Where there is local control, there are people who are dedicated to making a school or program a success, because they have the flexibility to work within that local system. They are not so constrained by a bureaucracy which is thousands of miles away with little day-to-day contact with the real situation. Those success stories are free for example, to tap other financial resources or community resources which enable them to have outstanding programs for Indian children. With more contracting, there will be greater opportunity for even more "success stories".

Question 4: In the FY 1987 Continuing Resolution, bill language was included prohibiting the Bureau from providing funds pursuant to section 1128 (b) of Public Law 95-561. This provision allows the Bureau to pay a Bureau or contract school an amount per student equal to the amount of Federal funds per Indian child received by public schools in the same district.

This restriction was made because it was a per capita comparison and not a comparison based on weighted student units. In addition, the allotment formula allows the inclusion of transportation costs, food and housing costs, contract support costs and operations, maintenance, and repair costs.

During this one year prohibition, the Conference report requested a report from the Bureau no later than February 1, 1987 on schools that would be eligible for funds under this provision based on current regulations.

What is the delay surrounding this report? Does the data you have collected so far give you an indication how widespread the use of this provision is?

Answer: Current data for Bureau-funded schools was available and could be compiled in any combination needed. However, it has taken a great deal of research to gather the necessary data on public schools. It was first necessary to identify the public school which was "comparable" to the 167 Bureau-funded schools. Under some programs, public schools receive Federal funds for Indian children because they are Indian (e.g., JOM, Title IV, and portions of Impact Aid). Other programs provide Federal funds to public schools for Indian children as well as non-Indian children (e.g., U.S. Department of Agriculture School Lunch Program and Chapter 1). There are also differences among Federal programs in the definition of Indians.

The other Federal agencies have been very cooperative in providing the data requested, though in some cases FY 1985 data is the most current available. To assure that the final report to your committee is statistically accurate, given the disparate data types and sources, the Bureau has decided to seek outside assistance to review and analyze the data collected thus far. While this will further delay finalizing the report, it is essential to ensure the validity of the data in view of the possible impacts on funding requirements and on the possible redistribution of funds among schools.

Indian School Equalization Formula

Question 5: For FY 1988, you have requested a reduction from the base of $865,000 (-.5 percent). This will not affect basic instructional programs because it is a result of (pg. 45):

1) the phase down of residential programs related to the opening of a high school on the Papago Reservation, and

2) savings in the Intensive Residential Guidance Program (IRG) related to new guidelines as well as the transfer of Hopi and Papago students from boarding situations to day schools.

In addition to this funding decrease, however, you have also proposed to reduce FTE's by five percent in FY 1988. This reduction will reflect the increased tribal contracts for operation of schools or operation of specific programs at a Bureau operated school.

How successful will the increased tribal contract initiative need to be to attain a 5 percent reduction in FTE's? If the initiative is not that successful, how will you make up the FTE shortfall?

Answer: The decrease in FTE's is related to the anticipated contracting of Cherokee, the closure of Phoenix Indian school, and the fact that each year more schools are converting to contract operations. In FY 1986, six additional schools were contracted. There is also a growing trend for school boards to contract portions of the school program such as student transportation and food service.

Continuing Education

Question 6: For Post-Secondary Schools in FY 1988 (pg. 61), the Bureau is proposing a reduction of $1,257,000 (-9 percent) from the base. This reduction will be made up by charging the approximately 1,500 students a small tuition of about $850 per year. This amount to about 10 percent of the annual operating costs of each institution. How do the operating costs of the Bureau's three post secondary schools compare with the operating costs of other post secondary schools in the area? Please provide some examples for the record.

Answer:	Operating Costs	# of students	per student
Haskell Indian Junior College	$ 7,389,000	737 a/	$10,025

Southwestern Indian Polytechnic Institute	$ 3,917,000	501 a/	$ 7,820
Institute of American Indian Arts	$ 2,202,000	179 a/	$12,300
University of Kansas	$176,333,900	25,822	$ 6,830
University of New Mexico	$189,000,000	24,000	$ 7,875

a/ average of fall 1986/spring 1987 enrollment

Question 7: Even with this tuition fee, you are anticipating an increase in enrollment of about 4 percent in FY 1988. What sort of an enrollment increase would you anticipate without a tuition charge?

Answer: The enrollment projections were based on the FY 1986 enrollment levels since current year actual enrollment figures were not available when the budget was prepared. The schools experienced a slight reduction in enrollment in FY 1987. The Bureau does not expect the tuition charge will have a significant impact on enrollment.

1/4 Blood Requirement

Question 8: In September of 1986, the U.S. Court of Appeals for the Ninth Circuit ruled that the BIA's 1/4 blood requirement is not in accordance with the authorizing statute (pg. 62). This requirement had been used by the BIA to define participants eligibility for assistance under the Special Higher Education Program. Beginning in FY 1987, any member of a federally recognized tribe is eligible for assistance regardless of degree of Indian blood. Have you had an opportunity to analyze the impact of this decision?

Answer: The Bureau is collecting, compiling and analyzing information from the Special Higher Education grant program applications received for the 87-88 academic year. Preliminary data on this issue shows an increase of approximately 10 percent.

Special Higher Education Scholarships

Question 9: In FY 1988, the Bureau has proposed a reduction of $250,000 in the Special Higher Education Scholarship Program. The FY 1988 request of $1,500,000 will fund the same number of students but the average grant will fund the same number of students but the average grant will be reduced from $7,000 to $6,000. How much does the average student participating in this program spend every school year?

Answer: The average total cost for a postgraduate student for one academic year is approximately $15,000 including living costs. The Special Higher Education Scholarship Program average grant is $5,540 per student for one academic year.

Question 10: If Congress goes along with this proposal, what will the Bureau do to aid students in finding other sources of funds?

Answer: The Bureau Special Higher Education Scholarship Program requires a student to apply for all other sources of Federal, State and private funds before they are awarded a fellowship from that program. The program is contracted, and the present contractor is able to assist some of the students with other sources of funding though private sector grants and by referring students to other graduate programs.

New Tribes Funding

Question 11: No funds are requested in FY 1988 for the New Tribes program (pg. 74). Instead, funds for New Tribes will come from tribe/agency operations. How much of the $1,186,000 base will be available for New Tribes in the tribe/agency operations activity?

Answer: $900,000 was transferred to the tribe/agency base which is earmarked for tribes which have already received Federal recognition (see page 25 of the justification for a list of the tribes and amounts of the base transfer). No funds are earmarked in the FY 1988 request for the newly recognized Klamath and Gay Head tribes or for any other groups that may obtain Federal recognition during the remainder or the current year or in fiscal year 1988. A reprogramming within the tribe/agency operations line item ($274,224,000 budgeted for 1988) can be proposed to meet these requirements once final needs assessments are prepared and approved.

Special Tribal Courts

Question 12: An additional $1.0 million is requested in FY 1988 for Special Tribal Courts. This increase is proposed to be used to provide for eight existing tribal "needy courts" for improvement projects that are identified under the Court Improvement Plan and to contract three multi-tribal appellate court systems.

Approximately $200,000 will be directed toward child abuse problems in an effort to minimize the trauma a child may experience when required to describe alleged abuse.

Please provide for the record a breakdown of the remaining $800,000.

Answer: Three appellate court systems will be funded at approximately $200,000 per system. The remaining $200,000 will be allocated to approximately eight newly identified "needy courts."

Substance Abuse/Alcohol-Tribal Government Services

Question 13: No new funds are requested in FY 1988 for the training of Judicial Services personnel in the area of substance abuse/alcohol (pg. 75). $1.0 million was provided in FY 1987 for this purpose and in FY 1988 and thereafter, this training will be a component of the on-going court training activity and will be supported within available resources. Will the actual training of Judicial Services personnel change in FY 1988 as compared to FY 1987?

Answer: Changes are anticipated in the training. There will be new sessions dealing with alcohol and drug abuse based on the curriculum developed in FY 1987 with the alcohol and drug abuse funds. A certification component will also be added to the training in FY 1988 which will dictate changes in the curriculum to accommodate those court personnel who have already been trained in basic judicial areas.

Substance Abuse/Alcohol-Law Enforcement

Question 14: Since the Bureau expects the law enforcement training requirements of the substance abuse and alcohol program to be completed in FY 1987, no new funds are requested in FY 1988. Now that we're halfway through FY 1987, what is the status of the program?

Answer: The following training programs are in place or under development:

1. A course for the newly established Marijuana Eradication and Reconnaissance Team (MERT), was conducted in May 1987, and another is scheduled for July 1987.

2. A course for Bureau of Indian Affairs (BIA) and Tribal Police Officers will cover topics relating to the identification, trafficking, detection, investigations, and prosecution of narcotics violations. Criminal Investigators will receive similar training including undercover narcotics operations. This training will be conducted in various field locations beginning in mid July 1987.

3. Additional hours of instruction on drug and alcohol topics will be added to existing course curriculums at the Indian Police Academy. This should be completed and implemented by September 1987.

Question 15: What Bureau-wide initiatives will you be undertaking in FY 1988 to curtail drug trafficking?

Answer: The Bureau-wide initiatives for FY 1988 will be essentially the same as FY 1987, specifically, continued and upgraded training for Bureau and tribal law enforcement officers. There will also be maximum utilization of the MERT Teams now being established and trained.

Contract Support

Question 16: According to the FY 1988 justification (pg. 96), new regulations will be proposed during FY 1987 to standardize contract support payments based on establishing a flat administrative fee to cover indirect costs associated with tribal contracting. These regulations will establish a fee adequate to meet the Self-Determination Act requirement that contractors receive funding at least equal to what the Secretary would have spent to directly operate contracted programs.

In addition, the regulations will provide a simple and more equitable distribution of funding for tribal overhead costs of operating programs. What is the timing of the regulations? Will the additional $1.574 million requested in FY 1988 be adequate to meet these increased requirements?

Answer: These proposed regulations are still under review within the Bureau following the receipt of initial comments from OMB. Amendments to P.L. 93-638, which are presently under consideration by Congress, could impact the Bureau's draft regulations. If the amount requested in the budget is inadequate to meet requirements, we will propose a budget amendment or reprogramming to fulfill the need.

Small Tribes Assistance

Question 17: You are proposing to phase out the Small Tribes Core Management grant program and replace it with a new Small Tribes/Specialized Technical Assistance Initiatives program. This new program will provide greater financial support to tribes and a specialized technical assistance program for tribes. Proposed FY 1988 funding for this new program is $6.8 million, an increase from the FY 1987 program of $2.8 million. Besides increased financial support what will the new program provide that was not provided by the old program?

Answer: We are proposing that this new program be more flexible than the Core program. We plan to combine features of the Self-Determination and Core Management grant programs, thereby affording small tribes a wide range of options for the use of grant funds. Under this new program, small tribes will have the opportunity to use these grant funds to support their governments or for administrative purposes depending on their particular needs and priorities. The funding would be available to meet many of the needs now met by indirect cost payments, which have been particularly high (in relation to direct program costs) among smaller tribes.

White Earth Reservation Claims Settlement Act

Question 18: $788,000 is requested in FY 1988 for the White Earth Reservation Claims Settlement Act (pg. 293). These funds are proposed to be used to investigate and verify questionable transfers of land by which individual Indian allottees, or their heirs, were divested of ownership. Can you be more specific on how you are proposing to use these funds in FY 1988?

Answer: The $788,000 will be used to cover Bureau of Indian Affairs (BIA) and Office of Hearings and Appeals (OHA) expenses necessary to implement the Act. The OHA work will be performed on a reimbursable basis utilizing the requested BIA monies.

The work will be done by term employees hired by the BIA to staff the White Earth Project Office. These include realty specialists, claims examiners, probate clerks, and appraiser, and paralegal specialist, plus clerical staff and the Project Director. The funds cover staff expenses, contracts, the cost of setting up the office, abstracts of title, certified copies of title documents, appraisals, equipment and supplies needed to implement the Act. The Office of Hearings and Appeals' expenses cover two paralegals and a legal clerk, plus related operating expenses.

At least the same amount will be needed in Fiscal Years 1989 - 1991. Pursuant to P.L. 99-264, all work must be accomplished not later than five years from the date of enactment.

Education and Economic Self-Assistance Initiatives

Question 19: Your justification indicates that a budget amendment is forthcoming which will propose additional language pertaining to the Education and Economic Self-Assistance initiatives. Where is this budget amendment in the process? Can you briefly discuss its contents?

Answer: The budget amendment was transmitted to the Congress by the President on June 2, 1987.

The language would allow the use of funds provided for the Indian School Equalization Formula to be used to contract with states or local education agencies for the operation of Bureau schools. In such instances, the states or local education agencies would be able to institute policies and practices used in the local public schools rather than be bound by the Bureau system.

The proposed amendment would also allow the Bureau to combine funds available for general assistance, employment assistance, and the adult education program to carry out new regulations providing for an economic self-assistance initiative. (It has been determined that the housing program will not be included in the new regulations for the self-assistance program.) None of the funds identified above would be used for this initiative until regulations implementing the program have been approved.

Personnel

Question 20: You have requested an additional $1.0 million and 32 FTE's in FY 1988 for personnel staff (pg. 236). This request is justified because of the requirements from increased personnel work associated with the major program reform initiatives and to move toward the recommended ratio of one personnel specialist for every 72 employees serviced.

The current personnel ratio at the Bureau is one specialist for every 108 employees serviced. The recommended level of 1:72 comes from a 1983 field study conducted by the Cabinet Council on Management and Administration. If this increase is approved, what will be the Bureau's personnel ratio at the end of FY 1988?

Answer: Assuming that the number of employees in the Bureau remains stable at approximately 15,000, the ratio in certain Area Offices and the Bureau overall ratio, should be closer to that indicated in the President's Council report. The Bureau has 85 "professional" personnel specialists and 89 personnel clerical employees, or a total of 174, which provides a ratio of staff to service population of 1:86. Operating personnel offices have 148 personnel positions, for a ratio of 1:101. The additional 32 positions would result in a ratio of 1:83.

Question 21: What benefits do you foresee by this increase that you did not see last year?

Answer: Area Personnel Offices will be able to expedite processing of personnel actions and carry out those required aspects of their offices that they cannot now perform, such as: cyclic audits; personnel management evaluations; technical assistance visits to agencies and schools; on-site training of managers and supervisors; and follow-up on a variety of situations, such as assessing the effectiveness of training, desk-auditing positions to determine the accuracy of position descriptions, etc. There should be fewer errors, more complete and accurate documentation, better communications with managers and supervisors at all levels, greater compliance with legal and regulatory requirements.

Question 22: Since the field study is dated 1983, are you confident that it isn't out of date?

Answer: Yes, the Bureau is confident that the 1983 field study is still valid.

Question 23: How does the Bureau's current 1:104 ratio compare with other Bureau's within the Department? Outside the Department?

Answer: Our figures, quoted above, show that our operating personnel offices had a staff-to-service ratio of 1:101. The attached table reflects the most recent data on each Bureau within the Department. The chart reflects two ratios. The first indicates the ratio derived by dividing the total number of employees in the Bureau by the total number of personnel employees. The second results from dividing the total number of employees by the number of personnel specialists (excluding clerical). The Bureau is at a significant disadvantage in providing fully adequate personnel management support, since we have far fewer personnel specialists per employee than any other Bureau within the Department.

Contracts/Grants

Question 24: Numerous internal and external reviews and audits have highlighted deficiencies in the formulation and administration and management of Bureau contracts and grants (pg. 236). Your justification indicates that a major reason for these deficiencies is a lack of staff in the central and field offices. To correct this problem, you have requested an additional $1,374,000 in FY 1988 for additional staff in this area. These funds will help reduce the ratio of contract specialist to contract actions from the current level of about 1:75 to the OMB recommended level of 1:45. Since the Bureau expends over 50 percent of its budget through contracts and grants, did you analyze decreasing this amount prior to requesting additional funds?

Answer: No consideration was given to decreasing the amount of funds the Bureau expends through contracts and grants. A major portion of the contracts the Bureau enters into are with Indian tribes under P.L. 93-638, for commercial and/or industrial type activities as described in OMB Circular A-76, or for construction. It is not feasible to do the work accomplished through these contracts with Bureau employees and would run counter to the emphasis being placed on increasing contracting, particularly with tribes, for such activities whenever possible. Also, we note that the specialist to contract action ratio of 1:45 is not OMB's "recommended level," but rather a minimum performance standard. That is, OMB views the 1:45 ratio as a floor, not a ceiling.

Question 25: Did you also analyze shifting personnel from the award and payment process and into post-award activities?

Answer: Bureau contracting personnel are generally involved in all phases of the contract from the pre-award stage through close out of the contract. Therefore, such an analysis was never considered.

Question 26: Was this an internal recommendation or was there pressure from OMB?

Answer: The recommendation is an internal Bureau recommendation to provide the Bureau with an appropriate number of contracting personnel to correct deficiencies and to provide an acceptable ratio of number of contracts to staff. OMB played no role in formulating the proposal.

Facilities Management

Question 27: In FY 1988, you have requested a decrease of $6,890,000 (9.0%) in Facilities Operation and Maintenance (pg. 226). The majority of this decrease ($5.0 million) is the result of estimated savings from the demolition, transfer and/or sales of facilities. The balance ($500,000) is the result of the closure of agencies in Alaska and ($1,390,000) from the consolidation of facilities and more efficient utilization of space. Have you identified the facilities that will be demolished, transferred or sale?

Answer: Yes, following is the most current list of facilities identified for demolition, transfer or sold:

Location		Building	Type	Sq. Ft.
Area	Agency			
Billings	Browning	244	Shed	48
		56	Quarters	3,280
		202	Pumphouse	64

Location		Building	Type	Sq. Ft.
Area	Agency			
	Crow	88	Warehouse	2,940
		73	Warehouse	9,500
		7	Quarters	2,162
		6	Quarters	3,977
		52	Quarters	1,405
		47	Quarters	1,288
	Harlem	31	Storage	1,009
		15	Med. Clinic	6,558
		85	Roads Shop	3,197
		86	Warehouse	1,443
		30	Multi-purpose	3,266
		29	Quarters	1,396
	Northern Cheyenne	11	Quarters	2,146
		15	Garage	410
		17	Quarters	2,049
	Ft. Washakie	43	Quarters	1,432
		45	Warehouse	1,040
		23	Multi-purpose	3,767
			Area Total -	52,377
Portland	Warm Springs	2	Quarters	1,381
		4	Quarters	980
		5	Shower	976
		6	Quarters	990
		8	Quarters	990
		9	Quarters	990
			Area Total -	6,307
Aberdeen	Ft. Totten	24	Quarters	9,548
	Pine Ridge	226	Quarters	3,057
		227	Quarters	487
		228	Quarters	2,204
		237	Quarters	3,286
		238	Quarters	1,769
		242	Quarters	2,280
		243	Quarters	2,672
		244	Quarters	2,472
		245	Quarters	2,651
		253	Quarters	1,855
		255	Quartera	2,025
		257	Quarters	2,061
		258	Quarters	2,243
		259	Quraters	2,730
		265	Quarters	344
	Rosebud	16	Quarters	1,567
		17	Quarters	1,567
		18	Quarters	1,567
		19	Quarters	1,567
		20	Quarters	2,560
		22	Quarters	1,912
		23	Quarters	2,571
		24	Quarters	1,657
		25	Quarters	
	Ft. Yates	38	Warehouse	7,250
		90	Warehouse	4,145
		154	Lift Station	20
		155	Lift Station	108

Location		Building	Type	Sq. Ft.
Area	Agency			
		129	Well House	96
		130	Well House	96
		123	Garage	1,200
		39	Quarters	1,316
		40	Quarters	1,480
		41	Quarters	1,316
		43	Quarters	1,465
		44	Quarters	1,372
		45	Quarters	1,372
		63	Quarters	1,372
		64	Quarters	1,372
		4	Garage	400
		5	Garage	615
		16	Garage	280
		60	Garage	400
		42	Garage	629
		46	Garage	666
	Little Eagle	201	School	11,206
	Wahpeton	18	Warehouse	6,407
	Lower Brule		Barn	11,730
			Area Total -	114,910
Navajo	Tuba City Boarding School	3	Dormitory	15,488
		5	Dormitory	16,338
		6	Dormitory	16,338
	Many Farms	1176	Quarters	1,340
		1178	Quarters	1,532
		1216	Quarters	1,532
	Mariano Lake	437	Shed	55
	Kayenta	10	Quarters	1,739
		13	Garage	412
		14	Quarters	1,282
		46	Office	3,842
		57	Warehouse	1,080
		70	Garage	1,080
		73	Garage	1,080
		74	Garage	1,080
		76	Quarters	1,536
		77	Quarters	898
	Torreon	511	School	723
			Area Total -	67,375
			Bureau Total -	240,969

Question 28: Will you elaborate on the savings anticipated stemming from more efficient use of space?

Answer: The utilization of facilities is being reviewed, and plans for optimal utilization will be developed by the Bureau's Education office in concert with the Office of Facilities Management and the Office of Construction Management (OCM). The Bureau will continue to aggressively pursue the disposition program to ensure efficient use of space.

Trust Fund Accounting Contract

Question 29: You have requested an additional $1,790,000 in FY 1988 for a Trust Fund Accounting Contract (pg. 216). This increase will provide full financial trust services, through contracting at a quality level which was never achieved through in-house services. What do you mean by "full financial trust services" and why aren't you able to provide this in-house?

Answer: "Full financial trust services" includes the total financial activities related to the funds held in trust: cash collection and concentration; investment advisory services; execution of buy and sell transactions; custodial services for investment securities; disbursement services; maintenance of trust fund accounts and participant recordkeeping; distribution of earnings; deposit of funds into the Treasury; and report to account holders and the Bureau. The Bureau does not have the integrated systems necessary to perform these services in a state-of-the-art manner. These types of systems are developed and readily available from financial institutions in the private sector. To duplicate these existing systems in the Bureau would be costly and require a much longer period of time than the Bureau can allow for the correction of the well-documented deficiencies. To obtain the financial services through contracting will enable the Bureau staff to concentrate on proper management of the income generating resources, and improve the quality of all trust services.

Question 30: Why aren't you able to invest income immediately and distribute funds on timely basis?

Answer: The Bureau collects trust funds through electronic fund transfers, over the counter, interagency transfers, and appropriations. The field collections are mailed to the depositing location, where they are also recorded into the financial accounting system as collections. The investment staff is not aware that a collection is available for investment until it is recorded as a collection, or a telephone call from a field location advises of the collection. The wide geographic dispersion and multiple income collecting and depositing locations contribute to time delays from collection to investment. In addition, the Bureau's current investment policy of taking bids on specific days allows funds to remain in the Treasury accounts for more than one day if the collections happen to be collected and deposited on the investment off-date.

Like collections, the distribution of funds is through electronic fund transfers, Treasury check, or IIM check, depending on the type of income and the dollar level. The delays in distribution are usually because of the authorizing levels (Agency/Area) on tribal advances and in some cases inadequate planning which results in an investment buyout. IIM distribution delays are generally the result of incorrect addresses.

Question 31: How much is being lost by not investing income immediately?

Answer: Based on the application of the Treasury's estimated earnings on daily float to the Bureau's annual collections, the loss of investment earning because of delays in depositing and investing could amount to as much a $1 million a year.

Question 32: What is the corresponding amount being spent in-house in FY 1987 on this activity? What is the in-house request for FY 1988?

Answer: The Bureau's FY 1987 funding for Financial Trust Services is $4,616,000.

The in-house amount we expect to pay for residual staff and operations in FY 1988 is estimated at $1.6 million. This may increase, depending on what time frames are established to implement a contract.

Question 33: What process will you follow to select this financial institution?

Answer: The Bureau intends to complete consultation with tribes prior to publishing a solicitation to acquire the financial trust services through contract. The solicitation will be open for full competition to financial institutions who meet the criteria to be designated as a Treasury depository. All FARS requirements will be followed, and the contractor will be selected under standard procurement rules and regulations.

	TOTAL EMPLOYEES	Personnel Employees			RATIOS	
		SPECIALISTS	CLERICALS	TOTAL	TOTAL	SPECS
US Geologic Survey (USGS)	10,342	61	37	98	1:105	1:169
Bur of Reclamation (WBR)	7,929	101	54	155	1:51	1:78
Bur of Land Mgmt (BLM)	9,203	98	95	193	1:48	1:94
Natl Park Service (FNP)	15,722	169	194	363	1:43	1:93
Fish & Wildlife (FWS)	6,699	54	38	92	1:72	1:124
Minerals Mgmt Svc (LMS)	2,099	32	27	49	1:42	1:65
Office/Surface Min (LSM)	1,103	19	6	25	1:44	1:58
Bureau of Mines (WBM)	2,373	30	23	53	1:45	1:79
Office of Secretary (O/S)	931	44	9	53	1:17	1:21
Solicitor * (SOL)	331	1	0	1	1:331	1:331
(Serviced by O/S)	(1.262)	(45)	(9)	(54)	(1:23)	(1:28)
Inspector General (OIG)	272	2	2	4	1:68	1:136
INDIAN AFFAIRS (BIA)	15,340	85	89	174	1:88	1:181
Br. of Pers. Svcs. (Services HQ & Eastern)	(881)	(7)	(7)	(14)	(1:62)	(1:126)
TOTAL INTERIOR	72,344	696	574	1,270	1:57	1:104

NOTE #1: The President's Council recommended a ratio of Personnel employees in operating-level personnel offices to the population serviced of one to 72. The ratio in Headquarters offices was one to 60, to provide for policy formulation and management advice and guidance. BIA's ratio for Area Office personnel employees is 1:104.

NOTE #2: The ratios recommended by the President's Council assume that the employees included as "specialists" are fully-trained, journeyman level specialists. BIA's personnel positions are frequently filled by trainees, which negatively impacts effectiveness. Nevertheless, BIA's ratio is lower than the Department average, and competitive with most other Bureaus.

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

Self-Determination Grants

P.L. 93-638, the Indian Self-Determination Act, authorizes Self-Determination grants [§ 104(a)] for the purposes of strengthening tribal governments; planning, training, or evaluations to improve the capacity of tribal governments to enter into contracts; the acquisition of land; and the planning, designing, monitoring, and evaluating of federal programs serving Indian tribes.

The BIA has proposed the elimination of the Self-Determination grants for FY 1988 and has, in fact, already reallocated the funds set aside for such grants into other BIA programs.

Question 1: Please provide the Subcommittee with the rationale behind the BIA decision to defund the Self-Determination grant program.

Answer: The Self-Determination Grant program was originally designed to provide seed monies to give tribes the initial capability to contract to operate

Bureau programs. However, as banded funds they have become a self-directed source of funding for continuing tribal operations.

For fiscal year 1988, the Bureau has proposed to use most of the funds for an enhanced program for assistance to small and troubled tribes.

Question 2: Please describe the tribal consultative process undertaken by the BIA in making this decision. Please provide the Subcommittee with tribal responses to this proposal.

Answer: It was a Bureau administrative policy decision not to fund the Self-Determination Grant program. Though there was no formal tribal consultation, tribes which had identified Self-Determination Grants as a priority program were in fact allowed to retain the dollars in their IPS base and to redistribute the funds to other programs. Therefore, the tribes experienced no reduction in funding.

Question 3: In response to an inquiry on behalf of the Mississippi Band of Choctaw Indians in the matter of the elimination of the Self-Determination grant program, the BIA indicated that it offered two additional means by which tribes could augment self-determination objectives: (1) the provision of revenue sharing grants to small tribes of 1,500 or less to maintain basic tribal functions and (2) specialized technical assistance to "troubled tribes", that is, to those tribes whose existence is threatened by such problems as tribal indebtedness and financial management problems. Since the Mississippi Choctaws have a membership of more than 1,500 and there were no questioned costs in their most recent agency-wide audit, how does the BIA propose that the tribe continue support for its Tribal Council Committee System, the tribe's means of conducting legislative business in much the same manner as a Congressional committee system? (The tribe will not, of course, be able to use indirect cost funds for these activities due to the prohibitions on use of indirect cost dollars.)

Answer: If the expenses are attributable to the management of base programs, the tribe may justify some of the cost of its tribal committee system through its indirect cost agreements. As stated above, the Self-Determination grants were neither intended nor authorized to fund continuing tribal government operations.

Question 4: Some Tribes have been directed to reprogram Self-Determination grant funds into other programs. Does the BIA intend this reprogramming to continue on a permanent basis, thereby assuring an on-going funding increase for the affected programs?

Answer: The tribes have been asked to redistribute the self-determination grant funds and this reprogramming will be continued in the tribe/agency base. Exceptions could be made in instances where the funding was intended to be used for purposes authorized by the Self-Determination Act.

Education

The BIA has proposed that it eliminate its role in the direct operation of schools. As a means of accomplishing this objective, BIA proposes to, first, contract with tribal governments for the operation of such schools. Should a tribe not choose to contract, BIA is proposing contracts with either public school districts or other third party arrangements.

The BIA has indicated its intent to use the appropriations process as its means of accomplishing this initiative.

Despite a number of speeches to Indian groups, press releases, and letters to tribal leaders, the BIA still has not provided specific answers to a number of questions regarding this initiative. For example, BIA has not explained how the U.S. Department of Education pass-through programs such as Chapter I, special education, and bilingual education would be handled. BIA has not provided explanatory information regarding the restructuring of the central and area education offices once the schools are turned over to either tribes or other entities. There have been no proposals from the BIA to the Congress to permit tribes to contract the agency superintendent's position so that tribal school systems would at least have funds for a top administrator's position. To date, the initiative's working details lack the specificity needed if tribes are to proceed toward contracting with confidence that the necessary support will be in place to maintain the school systems.

Question 5: What are the BIA's plans for its central and area education personnel once all schools are contracted?

Answer: Though the number of contract schools continues to increase, it will be a long time before all schools are contracted. Central and area education personnel would continue to provide oversight and technical assistance to contracted schools, as well as perform contract monitoring responsibilities.

Question 6: If the BIA eliminates central and area education positions, will the cost savings from elimination of central and area office staff be passed on to the contracted schools or will these savings be used to further reduce the BIA education budget?

Answer: No positions have been identified for elimination at this time.

Question 7: Many of the BIA schools need repair; others need extensive renovations and still others should be demolished, with new facilities constructed. Repair and renovation and new school construction have been severely restricted in the past few years, with only the most urgent of needs being met through application of the priority system. Does the BIA feel that schools should have all repairs, renovation projects, and construction needs met prior to their transfer to tribes (which usually have no tax base to meet such needs) or to states (which are equally burdened with school repair and construction needs)? Please provide a list of all FI&R projects and new construction needs, regardless of their place on the priority list. (Please include those requests which have been made by tribes as well as by BIA facilities managers.) What is the estimated cost for completing all BIA FI&R projects and new construction projects, regardless of their place on the priority list?

Answer: It is not the intention of the BIA to transfer facilities either to the tribes or the states. The Bureau will continue to own the facilities and to use the existing Facility Improvement and Repair (FI&R) System, which prioritizes renovation requests. The tribes may contract to operate and maintain the facilities in a method similar to the way they contracted the operation of the school. The BIA will continue to construct school facilities on a priority basis.

The requested FI&R and new construction projects priority listings for FY 1988 are attached.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 29 1987

Honorable Robert C. Byrd
Chairman, Subcommittee on Interior
and Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Byrd:

Enclosed for your review and approval is the proposed Fiscal Year 1988 Facility Improvement and Repair (FI&R) project list. In accordance with House Report Member 98-886, this list will be published in the Federal Register after receipt of Congressional consent. A similar letter is being sent to Honorable Robert C. Byrd, Chairman, Senate Subcommittee on Interior and Related Agencies, and the Honorable James A. McClure, Ranking Minority Member.

Emphasis on the mitigation of safety-critical (S-1) deficiencies now in the backlog has been established as the first priority under the total funding available. The mitigation of all S-1 safety backlog deficiencies will be under-taken through the O&M program in addition to the FI&R and its support categories (MI&R and BI&R).

The current backlog of unfunded critical life safety S-1 deficiencies is as follows:

Total value of safety deficiencies backlog	$3,294,572
Less value of S-1 deficiencies scheduled to be accomplished with FY'87 O&M, FI&R and FI&R support funds	$1,260,328
Sub-total	$2,034,244

The $2,034,244 balance of S-1 safety deficiencies will be accomplished in accordance with a commitment, previously made by the Director of Office of Construction Management to the Assistant Secretary-Indian Affairs, to abate all S-1 work items now in the backlog, by the end of FY'88.

If any additional information or explanation of our proposed project list is required, please advise.

Arthur M. Love, Jr.

Arthur M. Love, Jr. - Director
Office of Construction Management

Enclosure

cc: Senator James A. McClure, Ranking Minority Member

TENTATIVE FY'88 FI&R PROGRAM PROJECT LIST WITH PRELIMINARY COST ESTIMATES

	Estimated Construction Contact Award Amount
ABERDEEN AREA	
Mitigation of Code Violations-Area wide	$ 2,000,000
NAVAJO AREA	
Replacement of in-ground gas lines - at various sites	775,000
A School for Me	820,000
Chilchinbeto	2,327,000
Wingate High School	2,658,000
ALBUQUERQUE AREA	
Pine Hill School	2,615,000
CENTRAL SCHOOLS	
Haskell Indian Jr. College	1,288,000

	Estimated Construction Contact Award Amount
PHOENIX AREA	
Santa Rosa Ranch	750,000
EASTERN AREA	
Choctaw Central High School	1,821,000
	$ 14,279,000

ABERDEEN AREA

Mitigation of Code Deficiencies from the backlog $2,000,000

This project will mitigate backlog deficiencies of building codes and/or regulations. Items in this program are violations within the following code American National Standards Institute/National Fire Protection Association and the Uniform Building Codes. (The applicable educational facilities will be governed by the "code requirements for existing education occupancies -- Chapter II). There are 145 work items correcting the deficiency of work because of violation of code or regulations.

S-1 items are being handled in FY'87 and FY'88 using MI&R and O&M funds. It is anticipated that all known S-1 items will be remedied by the end of FY'88.

NAVAJO AREA

Replacement of In-ground Gas Lines (87N05Z) $ 775,000

This project is to correct deficiencies from deteriorated in-ground gas lines that have been in place 20 to 30 years. A survey is being conducted area wide, to ascertain such replacement needs. This project represents Phase I of proposed corrective action on identified deficiencies as funds become available. These ongoing studies and corrective actions will, when completed, mitigate a potential safety hazard.

A SCHOOL FOR ME (85N21S) $ 820,000

This project will involve the general upgrading of two dormitories to accommodate the severely handicapped. This project will complete the approved consolidation of two facilities (Chuska and Tohatchi). The school was formerly located on the Chuska School Campus. To affect the consolidations of the schools, the "School for Me," a private foundation had to be relocated to the old Tohatchi School Campus. School for Me is for the extremely severe handicapped and along with the normal FI&R work items, handicap adaptations had to be made. Since these are major functional deficiencies, the largest dollar amount for work (approximately $633,000) is under Rank 5. There was both a moral commitment and an Indian community/obligation entered into in the consolidation of Tohatchi - with Chuska School.

CHILCHINBETO (84N11Z) $2,327,000

This project will complete the school advancement to K-8 program. This program completes the master plan for the campus by the additions of a new kitchen/dining facility and the conversion of the former kitchen area into boys and girls shower area. Site work will include improved fire protection capability with a new elevated water storage tank and the site grading of the campus for proper drainage.

In this program there are four (4) items of safety or related work of a critical nature (approximately $9,000). The balance of some 32 items fall in the category 5; work required because of functional deficiencies.

WINGATE HIGH SCHOOL (84N07Z) $2,658,000

This project will upgrade various facilities at this location. Included are new walks, security lighting, parking lot paving, site drainage improvements and similar work. School Buildings 500, 503 and 504, gymnasium 501, and vocational shop 502 will receive selected improvements including new lighting, insulation, exterior stucco, new windows, handicapped accessibility, asbestos removal and electrical and plumbing improvements.

The breakdown of code categories - (8) items of safety, related work of a critical nature; 14 items of safety, related work of a non-critical nature; 45 items of work required because of violation of code or regulation.

ALBUQUERQUE AREA

PINE HILL SCHOOL (86M01Z) $2,615,000

This project has received previous Congressional approval for the expenditure of FI&R funds for new construction. The school has existed with academic space deficiencies for sometime. Classroom activities are being conducted in unsatisfactory temporary structures which will be replaced with a 21,000 sq.ft. classroom addition. Various handicapped accessibility deficiencies along with safety items are also being corrected. There is one item of related work of a critical nature; 6 items of safety, related work of a non-critical nature totalling $113,000. The balance falls in category 5; work required because of functional deficiencies in the amount of $2,498,200 of new construction.

CENTRAL OFFICE SCHOOLS

HASKELL INDIAN JUNIOR COLLEGE $1,288,000

A building evaluation survey is near completion which will identify current safety and major repair needs. This project will be one of a phased program responding to meet those needs identified in the evaluation report.

PHOENIX AREA

SANTA ROSA RANCH $750,000

Santa Rosa Ranch is a small school with average daily attendance of 106. The school serves 26 handicapped students. Eleven (11) of these are severely handicapped and require dormitory residence. Heretofore dormitory capability was not required, therefore, two (2) quarters have been placed in use. These facilities are inadequate for dormitory usage and require modifications for proper egress, bath facilities, and fire protection. The classroom building houses three (3) classrooms for 106 students and projected enrollment. Next year, 110 students are expected, therefore, a two (2) classroom addition is proposed.

The program has 6 items classifed as critical life safety in the amount of $50,000; 6 items of safety work of a non-critical nature in the amount of $113,000. The remaining work is required because of functional deficiencies in both dormitories and classrooms -- in the amount of $600,000.

EASTERN AREA

CHOCTAW CENTRAL HIGH SCHOOL (84S012) $1,821,000

This project will upgrade numerous facilities at this location. School Buildings 226,233, 234, 268, 269, Gymnasium 235, Kitchen/dining 237 and Dormitory 256 will receive selected improvements including covered walkways, new doors, new lighting, new roofs, new bell and intercom system, new windows, new panic hardware, new floor coverings and painting. The project will also include conversion of some spaces for other uses. In addition, the Kitchen/dining Building 237 will receive some new equipment.

The Law Enforcement Center Building 282 will receive new doors, storm windows, new security lighting and ceilings. Fire station Building 257 will receive minor improvements. Site work will include campus fencing and the relocation of exterior athletic track and field facilities.

In the breakdown of code categories, it has 32 items of related work of a critical nature in the amount of $45,000 and 58 items of work because of functional deficiencies in the amount of $1,609,000.

Arthur M. Love, Jr.

Arthur M. Love, Jr., Director
Office of Construction Management

FY 1988 FI&R CONSTRUCTION PROGRAM Report Date 6/23/87

		CONSTRUCTION COST ($ THOUSANDS)						
PROJECT NAME	SRS	RANK 1 CNT/AMOUNT	RANK 2 CNT/AMOUNT	RANK 3 CNT/AMOUNT	RANK 4 CNT/AMOUNT	RANK 5 CNT/AMOUNT	TOTAL CNT AMOUNT	PRIORITY
Mitigation Code Violations Aberdeen Area					145) 2,000,000		145)2,000,000	1
Replacement of In-ground Gas Lines	87N05Z	7) 775,000					7) 775,000	1
A School for Me	83N21S	6) 40,000		2) 48,000	1) 90,000	24) 633,000	33) 820,000	2
Choctaw High School	84S10Z	32) 45,000				58) 1,609,000	90) 1,628,000	1
Wingate High School	84N07Z	3) 5,000		14) 120,000		45) 2,533,000	62) 2,658,000	2
Chilchinbeto	84N11Z	4) 10,000				33) 2,308,000	37) 2,327,000	3
Pine Hill	86M01Z	1) 3,800		6) 113,000		NC) 2,448,200	7) 2,615,000	1
Santa Rosa Ranch	86H02Z	6) 50,000		5) 75,000	3) 25,000	25) 600,000	750,000	
Haskell Jr. College	87L01Z	8) 231,539	1)	2) 77,100	5) 327,000	2) 620,361	18) 1,288,000	1
*** SUMMARY ***		61) 1,119,339	1) 32,000	24) 358,100	151) 2,417,000	162) 10,151,561	14,279,000	

CNT = Count or number of work items
Amount = Funding required to remedy work items
NC = New Construction

Question 8: Will tribes which contract with the BIA for the operation of their schools be required to deal with the area offices or will the BIA establish a central contracting office for school contracts?

Answer: The tribes which contract with the BIA for the operation of their schools will be required to deal with the respective area contracting office. The BIA administration provides contracting as a support service to education, and there is no intent to change the present system.

Question 9: How do the BIA pay scales for teachers and administrators compare with the salaries of public school teachers and administrators? If such inequities exist, what are the BIA's plans to compensate for this shortfall?

Answer: Teachers in Bureau-operated schools are federal employees, and the Federal pay scales are established Government-wide. However, the Bureau may authorize a pay differential of up to 25% for Education positions to compensate for geographic isolation, or as a recruitment and retention incentive.

Adult Education

Question 10: In its proposed 'self-help' initiative, BIA has proposed a broad workfare program which, when implemented, will ostensibly result in diminished welfare dependency and greater economic independence in reservation communities. Throughout all presentations of this initiative, there are references to coordination with adult education programs; yet, there are no specifics to indicate how such programs will be coordinated with BIA workfare nor are there indications of recognition, by the BIA, of the extent of educational need among adult tribal members. Has the BIA conducted a needs assessment to determine the level of need for literacy and GED education on all reservations? How does the BIA propose to coordinate existing adult education programs with its workfare initiative? How has the BIA determined that the current level of support for adult education is adequate to prepare Indian adults for meaningful participation in training for jobs?

Answer: The BIA has not conducted individual reservation needs assessments for literacy and GED education. These programs are funded by the Adult Education program which is on the Indian Priority System; therefore, the level of adult education funding is determined by the tribes. The EARN program encourages the use of a single intake system that provides for a complete needs assessment of the clients' interests, knowledge, abilities, and skills. Based upon this assessment, an Individual Employment Plan will be developed for the client.

Placement in adult education programs, operated either directly by the BIA or through state or public school districts, would be the first step in providing a multi-level approach to moving a client into job readiness.

Pre-School Handicapped Education

Question 11: As a condition to receipt of P.L. 94-142 funds to serve handicapped Indian children, S. 2294 (Education of the Handicapped Act Amendments of 1986) requires at §404(f)(2)(B) "...satisfactory assurance that all handicapped children aged 3-5, inclusive receive a free appropriate public education by or before the 1987-1988 school year." Since the least restrictive environment for appropriate pre-school handicapped education often is, by definition, a pre-school classroom, what plans has the BIA made to establish such classrooms as a means of complying with the requirements of S.2294? How many pre-school handicapped children are there who must receive services during the 1987-1988 school year? How much would the establishment of preschool programs cost for the 1987-1988 school year? Does BIA plan to alter its budget request to provide these services?

Answer: Under P.L. 94-142, the Education of the Handicapped Act, there is a 1% funding set aside for BIA. P.L. 99-457, technical amendments to P.L. 94-142, continues this provision but increases the set aside to 1.25% beginning in FY 1988. The Bureau received $11.2 million in FY 1987 under P.L. 94-142; therefore, even if U.S. Department of Education receives level funding, the Bureau should receive $14 million.

The BIA plans to serve pre-school handicapped children within the existing service delivery system. The BIA will enter into formal agreements with existing Headstart facilities now serving Indian pre-school children; with existing public school pre-school programs; and with existing private non-profit providers. Every effort will be made to identify children needing services in this age category. The estimate is that six hundred children aged 3-5 and living on or near reservations may need special education and related services. The BIA does not plan to alter its budget request at this time. The additional P.L. 94-142 funding from the U.S. Department of Education should be sufficient to serve the pre-school children.

Contract Support for P.L. 93-638 Contractors

Federally recognized tribal governments, like state and local governments, administer federal grants and contracts in accordance with OMB Circular A-87, as further implemented through HHS Publication OASC - 10, both of which prescribe the indirect cost method, the means through which governments are reimbursed for grant and contract-related managerial expenses which cannot be ascribed to any one single grant or contract.

These indirect cost awards, expressed as a percentage of the costs of each grant and contract, are pooled to support the costs of centralized tribal management of the various programs. For most tribes, which -- unlike state and local governments -- have no tax base, indirect cost awards constitute nearly all of the funds available for the tribal costs of administration. The federal indirect costs are used solely for the proportionate management of federal grants and contracts.

In addition to this established method of paying units of government for carrying out the work of the federal government, e.g. administering federal grant and contract programs in a local community, the provisions of P.L. 93-638 at §106(h) also direct the Bureau of Indian Affairs to provide the amount of funds needed by the tribes to operate programs:

"The amount of funds provided under the terms of contracts entered into pursuant to sections 102 and 103 shall not be less than the appropriate Secretary would have otherwise provided for his direct operation of the programs or portions thereof for the period covered by the contract: Provided, That any savings in operation under such contracts shall be utilized to provide additional services or benefits under the contract."

Despite the very specific language of P.L. 93-638, the Bureau of Indian Affairs has declined to (1) identify the amount of funds which would have been spent in the operation of a program and (2) allocate those dollar amounts to the tribal contractor for management costs. Rather than diminish its own administrative base, BIA instead chose to pay tribal management costs in accordance with each tribe's negotiated indirect cost rate. In order to pay those costs, the BIA would request funds for CONTRACT SUPPORT. In theory, then, each tribal contractor's indirect cost payments were taken from this pool and added as the indirect costs to each contract.

In reality, the system has not worked so well. As the pressure grew to reduce spending, the BIA looked to the CONTRACT SUPPORT category as one of its earliest points for spending reductions. Such reductions would not affect any BIA operations or personnel and would, in fact, only affect the tribes which were contracting for the operation of BIA programs in accordance with the terms of P.L. 93-638. BIA began to request inadequate levels of funding for CONTRACT SUPPORT for tribal contractors and undertook a number of actions to remove Indian tribes as legitimate participants in the indirect cost process -- the federal government's established method for paying units of government for carrying out such governmental services.

In addition to simply failing to inform the Congress of the full indirect cost levels needed to honor tribal indirect cost rates, BIA also undertook a series of other actions to diminish the level of CONTRACT SUPPORT and to question the integrity of tribal government:

a. BIA initiated 'grandfathering,' a process of collapsing existing contract support levels into the direct costs of a contract. This fiasco, which did not 'grandfather' the accurate levels of contract support into the direct costs, left some tribes grossly underpaid for their management services and provided other tribes with a management payment windfall.

b. This system was then abandoned and the contract support funds were returned to a separate budget category but with a new twist: BIA has determined that, for existing contracts for FY 1987, it will pay only 70 per cent of a tribe's indirect cost rate. Unfortunately, for the tribal contractors, this failure to pay at the full rate will cause exceptional hardship, both in terms of fulfilling the requirements of the indirect cost system but also in terms of forcing reductions in services at the local level. For FY 1987, BIA did not request adequate CONTRACT SUPPORT funding levels for the tribal contractors. Now, BIA is not suffering from shortfalls in administrative funds and is, in fact, requesting additional funds for administrative staff, e.g. personnel and contracting.

c. For FY 1988, BIA is requesting an even more dramatic diminishment of the contract support level -- that of reducing the contract support level to a flat 15 per cent administrative fee for tribal contractors only. BIA, by its own admission, does not propose to limit its administrative costs to other contractors with which it does business -- only tribal contractors will be so treated.

d. BIA offers, as its principal justification for these actions, a study of its own sponsorship, one conducted by the American Indian Law Center a few years back. Rather than look at reports from the Office of the Inspector General in regard to the matter or examine the conduct of individual tribal contractors, BIA has opted to remove tribal contractors from the indirect cost system, has not provided written documentation of the need for its actions, and has not reported on the impact of such a decision on the tribal contractors.

Question 12: What was the total dollar amount of contract support to which tribal contractors were entitled on the basis of their approved indirect cost rates for FY 1985?

Answer: The total contract support requirement identified by the tribes for FY 1985 was $40,777,500.

The following information is provided to clarify data included in the question:

a. "Grandfathering" was not initiated by the Bureau. It was a process directed by the Congress, because the Bureau's requests for contract support funds were increasing much faster than the rate of contracting. Under grandfathering, the tribes received a single allocation of funds for total operation of a program.

b. In FY 1987, "new" contracts which were not grandfathered have received 72% of their indirect cost rates. Since budget requests are submitted in advance of the fiscal year, it is impossible to anticipate exactly the level of contracting which will be requested by tribes. This has been a significant factor in the development and persistence of today's problems. The available contract support funds are distributed prorata to all "new" contracts.

c. The Bureau is no longer proposing implementation of a flat rate for indirect costs. While the Bureau is continuing to review current practices to determine if a more appropriate mechanism can be determined to meet overhead costs, no action is planned for the current fiscal year and any new proposal will be provided to the appropriate Committees of Congress for review prior to implementation.

d. The study cited was performed by the American Indian Law Center under contract with the Bureau. Any project or study performed for the Bureau by outside sources is accomplished under contract, but this does not equate to "sponsorship".

Question 13: How much contract support did the tribal contractors actually receive for FY 1985?

Answer: Tribal contractors received $37,749,000 in FY 1985.

Question 14: Why does the BIA propose to impose its "flat administrative fee" only on tribal contractors and not on all other contractors with whom the BIA conducts business?

Answer: The Bureau is no longer proposing implementation of a flat rate for indirect costs. While the Bureau is continuing to review current practices to determine if a more appropriate mechanism can be determined to meet overhead costs, no action is planned for the current fiscal year and any new proposal will be provided to the appropriate Committees of Congress for review prior to implementation.

Question 15: What was the BIA's total administrative cost for FY 1985? In preparing this response, the BIA should be careful to include all those costs which are associated with the operation of the agency, e.g. those costs borne by each level of BIA and other parts of the Department of the Interior (as well as within other levels of government) such as legal assistance from the Solicitor's office and the Justice Department, payroll and related personnel functions carried out by BLM, and space and utilities costs not only in Washington but also in the area and other field offices.

Answer: The Bureau's final FY 1985 Federal appropriation was $1,019,411,000, of which management and administrative costs were as follows:

(dollars in thousands)

	Amount
Central Office	$27,600
Area Office Direct Operations	27,000
Area/Agency Education	8,300
Agency Office	17,900
TOTAL	$80,800

Included in these amounts are the funds used to support payroll operations.

Other operational costs include:

GSA Space Rental (Bureau-wide)	$ 9,800
Facilities Management	75,000*
Intra-Gov't Assessments **	6,700
ADP (Direct program costs Bureau-wide)	16,300
TOTAL	$107,800

* Excludes costs of facilities contracted under P.L. 93-638.

** Includes costs for: postage; telephone; telegraphic services; and Departmental Billings for services provided to the Bureau by programs under the Office of the Secretary (e.g. budget operations; medical & health services; printing & publications; enforcement & security management; fiscal services; and general services).

We are unable to identify all applicable costs of other Departmental offices which provided support services to BIA. However, the FY 1985 budget for the Indian Law Division of the Office of the Solicitor was approximately $3,000,000. When personnel travel on behalf of the BIA, their travel and associated costs are usually borne by the Bureau and would be included in the costs shown above.

Questions Submitted by Senator Jeff Bingaman

Indian Law Summer Program

Mr. Swimmer, last year the Bureau of Indian Affairs consolidated its higher education scholarships for the ostensible purpose of saving money. The practical effect was that the law scholarships administered through the Indian Law Center at the University of New Mexico were transferred and are now disbursed through American Indian Scholarships, Inc. In the process, the summer program for Indian law students, formerly administered by the Law Center, was dropped and currently is not in operation. The purpose of these questions are to obtain information that will clarify what the Bureau's intention is concerning the Indian law summer program.

Question 1: Did the Bureau intend that the Indian law summer program be discontinued when it consolidated the two scholarship programs? If not, would the Bureau support reinstating the summer program? (Please explain) If the Bureau did support discontinuing it, where in the BIA Budget Justification for fiscal year 1987 or in other documents is this stated?

Answer: In an effort to reduce administrative costs, the Bureau awarded only one contract for the Special Higher Education Grant program beginning with FY 1986. The Senate Report accompanying the FY 1986 Appropriations bill stated: "A decrease of $200,000 is recommended for special higher education. The Bureau plans to contract for a single program that would reduce administrative costs and the Committee supports that initiative." In conference, half of the Senate decrease was restored, but there was no objection raised on the issuance of a single contract. It was not the Bureau's intent to discontinue the summer law program, and the Bureau would consider reinstatement of a summer program utilizing funds currently available. However, the Bureau feels that all six priority fields should benefit from a summer program.

Question 2: According to the Bureau, for academic year 1986-87, 100 students were enrolled in law school and this group received the majority of BIA higher education scholarships. Yet according to anecdotal evidence from law school admission counselors surveyed this year, the number of American Indian students applying and being admitted have markedly decreased. For example, the University of New Mexico reports that for academic year 1985-86, 13 American Indian students entered law school, however, for 1986-87 only 4 students have been admitted. What is even more disturbing is that many law schools made admission of "low predictor" Indian students (low LSAT's and grade point averages) contingent on successfully completing the Indian law summer program.

If the above trends continue to show a decline in law school admissions of Indian students, what does the Bureau propose to do, if anything? (Please explain)

Answer: For the 1986-87 school year, all eligible Indian law applicants who satisfied the published criteria were funded. Students studying law were granted 46% of BIA higher education scholarship funding while all other post graduate professions shared the remaining 54%.

Question 3: According to documentation on the summer law program, 70 percent of Indian students who attended the summer program completed law school, whereas the completion rate dropped to 50 percent for those who did not attend the summer program. This compares with an overall law school completion rate of 73 percent for non-Indian students.

The above figures persuade me that the program was meeting a need and providing the necessary supportive services to help Indian students achieve in law school. Did the Bureau ever conduct its own analysis or study to evaluate the summer law program? If so, may the Committee have a copy of it? If not, on what basis was the decision made, particularly in light of the above statistics that show an impressive success rate.

Answer: In Executive Order 12401, dated January 14, 1983, President Reagan established the Presidential Commission on Indian Reservation Economies. Page 34 of their 1984 "Report and Recommendations to the President of the United States",

states that "Under the Special Higher Education Program, there were 270 Indians enrolled in critical professions such as law, medicine, natural resources & related fields, engineering and business administration. About 14% of the students were enrolled in natural resources and related fields, engineering, and business administration. More than 44% of the students were enrolled in the law program, which for the period 1970-1984, had an average completion rate of 47%,.... With a success rate of 47%, 63 Indian law students will not complete their course of study. These funds could have supported 90 Indian students in all other graduate programs where the completion rate is higher and where the professions are more adaptable to Indian business development needs."

The Bureau does not have records which support the statement that 70% of the Indian students who attended summer law program completed law school. The Bureau, in an effort to reduce the administrative costs, consolidated the two Higher Education Scholarship programs under one contract. The summer law program under the FY 1985 contract was included in the contract's administrative cost line item (see BIA Budget Justification Fiscal Year 1987). In FY 1986, $35,000 was awarded to the American Indian Law Center (AILC) for a pre-law program in the summer of 1986. They co-sponsored a pre-law program for minority students with the Council on Legal Education Opportunity.

Question 4: According to the Bureau's budget justification for fiscal year 1988 the professions of law and medicine, in addition to other subjects, are targeted for emphasis. The Indian Health Service meets its targeting of Indian health professionals through its Health Professions Recruitment Program which funds five grants to universities to support Indians interested in health and medicine. Since there is precedent to have such special targeting, does the Bureau feel that encouraging Indian students to become lawyers deserves special emphasis? (Please explain) If not, what are the Bureau's goals for higher education?

Answer: The Bureau targets six priority areas of study: health, education, business, law, natural resources, and engineering. The graduate students attend a variety of colleges and universities, and at this time the Bureau has no plans to target specific institutions or to emphasize a single priority area.

SUBCOMMITTEE RECESS

Senator DECONCINI. The subcommittee will stand in recess until Wednesday, April 22, at 2 p.m., at which time, we'll review the 1988 budget request for the National-Capital Planning Commission and the U.S. Geological Survey.

Thank you very much, Mr. Secretary.

Mr. SWIMMER. Thank you.

Senator DECONCINI. Ms. Richardson, thank you.

[Whereupon, at 3:45 p.m., Tuesday, April 21, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, April 22.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

WEDNESDAY, APRIL 22, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:11 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Harry Reid presiding.

Present: Senator Reid.

Also present: Senator Pressler.

NATIONAL CAPITAL PLANNING COMMISSION

STATEMENT OF GLEN T. URQUHART, CHAIRMAN

ACCOMPANIED BY:

REGINALD W. GRIFFITH, EXECUTIVE DIRECTOR

ROBERT E. GRESHAM, ASSISTANT EXECUTIVE DIRECTOR FOR OPERATIONS

CAROL P. MULLIS, ADMINISTRATIVE OFFICER

INTRODUCTION OF ASSOCIATES

Senator REID. The Subcommittee on Interior and Related Agencies will come to order.

We have two panels today. We appreciate everyone being here.

As you know, this is the time scheduled for review of the fiscal year 1988 budget for the National Capital Planning Commission [NCPC] and the U.S. Geological Survey [USGS] within the Department of the Interior.

Today we will begin with the National Capital Planning Commission. Testifying on behalf of the Commission is Mr. Glen Urquhart, Chairman of the NCPC. We, of course, welcome you to the subcommittee, and if you would introduce those who may assist you at the witness table, we will proceed directly to the questions.

Mr. Urquhart.

Mr. URQUHART. Thank you, Mr. Chairman.

To my right is Mr. Robert Gresham. Beginning on my left, Mr. Reginald Griffith, and to his left, Carol Mullis.

PREPARED STATEMENT

Senator REID. We have copies of your prepared statement. It would be appreciated if you would summarize that statement. We will make the complete statement part of the record.

[The statement follows:]

STATEMENT OF GLEN T. URQUHART

Mr. Chairman and members of the committee, I am very pleased to testify on behalf of the fiscal year 1988 appropriations estimate for the National Capital Planning Commission. The budget justification document reflects the Commission's best efforts to carry out its role under the National Capital Planning Act as the central planning agency for the Federal Government in the National Capital region. We are confident that our package of programs for fiscal year 1988 will continue to fairly represent and protect the Federal interest, as well as to promote cooperation between the Federal Government and various jurisdictions of the region.

The National Capital region, as defined by the act, is the District of Columbia, the two surrounding Maryland counties, the four surrounding Virginia counties, and all cities within the limits of such counties. The region contains about 115,000 acres of Federal land, with some 192 million square feet of leased and owned floor space housing 406,000 Federal employees. Planning for the effective functioning of the Federal Government in terms of distribution of its employees, optimum accommodations, and movement of goods and services, and the complementary meshing of the Federal interests with local goals are but a few of NCPC's responsibilities. The Commission is charged with preparing and adopting Federal elements, and reviewing for Federal interests—District of Columbia elements, of the comprehensive plan for the National Capital.

The Commission is continuing its work on the comprehensive plan in preparing the monumental core sector plan. During the year, the Commission has also adopted modifications to the comprehensive plan to insure that this document is up to date. A great deal of the Commission staff's time during this past year has been spent in addressing projects, such as PortAmerica, that could have significant impact on the Nation's Capital.

We also review capital improvements program requests of all Federal agencies within the region. This year's amount approaches $2.05 billion. In addition, the Commission performs Federal interest reviews of the capital improvements programs of State and local agencies and governments. Numerous master and project plans and plan modifications for Federal installations were also reviewed along with plans for the development of parks, parkways, and other open space systems in the National Capital, as well as District of Columbia master plans and site and building plans.

The Commission reviewed the first phase (Midfield Concourse 1A) of the proposed new Dulles Midfield Terminal Facilities at its March 5 meeting. With the new airport authority coming into operations in June (transfer of Dulles and National over to the authority), it is unlikely that this Commission will be able to influence the development of Dulles to the extent that it has in the past.

The Commission also has in-lieu-of-zoning authority for Federal projects within the District of Columbia. An example of a project approved under this authority is the new Veterinary Hospital at the National Zoological Park.

The National Capital Planning Commission requests a total of $2,967,000 in budget authority for fiscal year 1988. This request represents a modest increase over the fiscal year 1987 appropriation level. Almost all of the increase is due to greater personnel costs resulting from statutory pay changes, passage of the new Federal Employees' Retirement System [FERS], and higher rent charged by the General Services Administration for leased space.

The salaries and expenses request of $2,967,000 will provide for a staff of 50 employees, on a full-time equivalent basis, and necessary supplies, equipment, rent, and administrative services needs for fiscal year 1988. Given the variety of skills necessary to perform Commission objectives, and recognizing that in certain technical specialty areas we are already staffed by only one person, we respectfully request no further cuts in staff levels be made at this time.

Congressional approval of the $2,967,000 requested does not permit any new undertakings, but will allow the National Capital Planning Commission to maintain its present level of operations.

I, as well as my staff, look forward to answering any questions you may have regarding our estimates for fiscal year 1988. We feel that all of the programs presented in this budget are vital to the effective pursuit of our Commission's goals and objectives and are consistent with our legislative mandate.

BIOGRAPHY OF CAROL PRICE MULLIS

Carol Price Mullis joined the Commission on June 4, 1984, and serves as Director of the Management Services Section. She worked previously for the National Bureau of Standards as an administrative officer. She has over 19 years of Federal service and holds a master's degree from American University in human resource development.

SUMMARY STATEMENT

Mr. URQUHART. Well, thank you very much. Without taking more of the committee's time than is necessary, as you know, the National Capital Planning Commission is the Federal agency charged with protecting the Federal interests in the National Capital region, which includes the District of Columbia and seven surrounding counties.

We are a small agency. We think we are quite an efficient agency, attempting to provide some planning framework for the growth and operation and efficient activity of the Federal establishment in this area while respecting and coordinating the rights, needs, and opportunities of the local jurisdictions. We serve to coordinate between Federal, State, and local governments as well as to, as I said, protect the Federal interests.

We in substance are asking for no net increase in our budget at this time. We believe we can continue to operate essentially at the same budgetary level.

As I am sure you have noticed, we have had some increase. Essentially, this is accounted for by mandated personnel cost increases and a substantial increase in our rent from GSA. We are in the same space—in fact, with a little bit less space than we were 1 or 2 years ago; but because the lease had to be turned over at a higher rate for GSA, we are paying more.

I think that pretty much summarizes where we are.

Senator REID. I would also ask that you speak into the microphone. It is easier for the audience and for the reporter to pick up the questions.

Mr. URQUHART. I am sorry. Is that better?

Senator REID. Yes; that is fine.

FISCAL YEAR 1988 BUDGET REQUEST

The fiscal 1988 budget request is almost $3 million, and as you indicated in your statement, this increase is based upon additional cost for rental space, is that right?

Mr. URQUHART. Additional increase in rental space, sir, and a mandated 3-percent pay increase accounted for about $57,000 of that, and about $44,000 was accounted for by an increase in the merit pay and related required increases.

EXPANSION OF DULLES AIRPORT

Senator REID. Last year, the FAA proposed a plan for the expansion of Dulles Airport, which we are told has become the fastest growing airport in the Nation.

The Commission found crucial deficiencies in the proposal; however, in an article in the Post you were quoted as saying that "a flawed plan is better than no plan."

Is that a real quote? Is that what you said?

Mr. URQUHART. Well, I don't suppose that, given so much history, it would be appropriate to challenge the preciseness of that at this point. I think the concept was that we had to recognize that with the fast growth of the airport it was better to have much of the plan or most of the plan than to have none of it.

But let me explain really in more detail what I meant.

The plan submitted to us by the FAA essentially was a generalized land use plan, very much needed, somewhat complex to get done, constrained by the Department of Transportation budgetary concerns, but finally provided to us and much appreciated.

The flaw is that it did not include an overall and comprehensive plan for circulation into, out of, and around the airport. It didn't have all of the landscaping elements and other details that we would like to have seen.

But given the rapid growth of the airport that was expected, it was much better to have that rather than nothing at all.

And we understand—and I mean this sincerely—we understand the constraints and the difficulties with which FAA had to deal doing that. So there was no disparagement intended in that.

Senator REID. Tell me about any plans for expansion at Dulles.

Mr. URQUHART. Well, of course, we have reviewed, I believe at least twice now, the proposed plans for the midfield terminal. This is a facility which will eventually really provide the increased expansion capacity at Dulles.

I can elaborate if you want, but that is the major——

Senator REID. Well, I think if there is further elaboration you could do that in writing.

I would just say that, speaking for myself and myself only, that an airport that used to be a pleasant place to go is a madhouse and it is very unpleasant to go there now, and I try to route all I can through National. It used to be just the opposite.

Mr. URQUHART. I have had exactly the same experience with both my personal and business travel. It is an interim problem where these—please understand, as I am sure you do, that the new terminals that have been built that you have got to ride the mobile lounge to are not what is talked about when we are discussing the midfield terminal. A permanent midfield terminal facility will have a people mover, and a baggage mover and you won't have to ride on the mobile lounge.

A lot of the backup and congestion is from those mobile lounge rides and from inadequate baggage facilities, particularly international baggage facilities.

We have been reviewing and working with the FAA and their consultants, Skidmore, Owens & Merrill, on the engineering and the planning to expand baggage handling facilities severalfold and to develop this people mover and a permanent midfield terminal that will work much more efficiently.

Senator REID. Timewise, how much time are we talking about?

Mr. URQUHART. Mr. Griffith, you could give a better estimate of that.

Mr. GRIFFITH. At the present time I believe the current estimate for the first two midfield terminals will be constructed sometime within the next 2 to 3 years. Additional terminals will be coming online after that. There will be a total of six.

In addition to that, the actual main terminal of the Saarinen Building, the sweeping structure, will also be expanded on either end, but that comes at a much later stage. There will also be an expansion of the baggage area and an expansion of the international arrival customs area—what we call the FIS or Federal Inspection Service.

So that we anticipate that Dulles actually will function quite smoothly in terms of the plans now underway.

Senator REID. In the meantime, good luck to people that go there.

Mr. GRIFFITH. That is true.

Mr. URQUHART. Mr. Chairman, some of that is dependent on how quickly the new commission is able to finance these improvements.

PORTAMERICA

Senator REID. PortAmerica is a very large development project in Prince Georges County along the Potomac River about 7 miles from the District of Columbia. This project has stirred controversy due to the size of the project and the considerable environmental impact many say it would have, as well as the proposed 52-story skyscraper which is included in the development. The tower has been proclaimed an aviation hazard by the FAA, and others have said that it represents aesthetic pollution.

On the other hand, PortAmerica has considerable support as an economic boon for Prince Georges County.

Senators Cranston and Moynihan recently introduced legislation that would place height limitations for new construction within the National Capital area. This was aimed at eliminating the potential for skyscrapers such as PortAmerica's by imposing a surtax of $1 million per foot above the specified heights on violators.

Does the NCPC support a legal restriction on building height for the surrounding area such as that proposed by Senators Cranston and Moynihan?

Mr. URQUHART. Mr. Chairman, let me say that we share the concerns. It is a difficult balance to attempt to strike the concerns about economic benefits and the concerns about environmental and other problems.

The Commission has not taken any position on this in general. I would turn the question over to Mr. Griffith because I have recused myself from this specific case.

Mr. GRIFFITH. Mr. Chairman, I might only add to Mr. Urquhart's statement that the Commission has not, as he said, taken a specific position with respect to whether or not there should be legal restrictions on heights.

However, the Commission's policies and its operating procedures have time and again illustrated its great concern over building heights, not only within the District but also in the region, especially as those heights affect the historical image of the National Capital.

So there is great concern on the part of the Commission, but it has not taken a position with respect to legal restrictions.

Senator REID. Less than 1 year ago, it is my understanding that the Commission recommended that the tower be no higher than 17 stories, and it is my understanding further at this time the 52-story plan has been rejected, is that right?

Mr. GRIFFITH. That is correct, sir.

Senator REID. What do you think will be likely approved as far as height, and when do you expect a decision to be made finally on this?

Mr. GRIFFITH. Currently, there are two heights being considered by the developer. The 52 stories was reduced to 42 stories. The 42-story tower is currently before the Federal Aviation Administration. They found that to be hazardous.

However, he has not withdrawn that proposal. He has appealed it.

Senator REID. Who is he?

Mr. GRIFFITH. The developer is JTL Enterprises, Inc.

It is our understanding that the appeal is a legal maneuver that allows him to continue talking to FAA, and in those further talks the height he says he is now considering is that no building would be above 485 feet above sea level, which gives us an approximate height of about 27, 28, possiby 29 stories high.

We do not have any idea what FAA will do with the appeal. We have launched an environmental analysis process. That process has to take into account several alternatives. Certainly, three of those alternatives must be the 42-story building because it has not been officially withdrawn, the 485 feet above mean sea level or 28 stories approximately because that is what he is talking about, and the 11 to 17 stories that the Commission has recommended.

The decision as to what height will actually occur we believe will happen in about 1 year's time, plus or minus a few months, at the completion of the environmental review process.

Senator REID. In November of last year, the Council on Environmental Quality designated the Commisison as the lead agency for purposes of compliance with section 102(2)(c) for Federal actions involved in the proposed PortAmerica project in Prince Georges County.

It is the Commission's responsibility to see that an environmental assessment and probably an environmental impact statement is conducted before this project can be completed.

What is the total projected cost of these studies?

Mr. GRIFFITH. We estimate a total cost of about $400,000.

Senator REID. What will the cost be to the National Capital Planning Commission?

Mr. GRIFFITH. We estimate that approximately one-half of that, $200,000, we will have to pay—we will have to absorb one way or another.

Senator REID. The Appropriations Committee in the House has included $80,000 in the supplemental for NCPC to conduct the environmental impact statement.

Where would the remaining $300,000, approximately, come from?

Mr. GRIFFITH. Let me break down the figures this way.

The total cost that we see is $400,000. Cost to NCPC that we see would be about $200,000. Of that $200,000, we estimate that we will need one-half of it, $100,000 in fiscal 1987.

We are able to contribute $20,000 immediately from our own consulting funds. The $80,000 that the House has recommended would allow us to reach the $100,000 that we see we need in fiscal year 1987.

We would need another $100,000 for fiscal year 1988. That totals the $200,000.

In addition to that, the other $200,000 we see as being required for those portions of the NEPA study that would be carried out by other Federal agencies, such as the FAA, Federal Highway Administration, the Corps of Engineers, and others.

To the extent that those agencies are permitting, they will be asking the developer to absorb part, if not all, of that other $200,000.

We have alerted the developer that although we are not a permitting agency, we would very much appreciate his contributing to our portion, the $200,000. We are currently negotiating with him, but he is obviously resisting because he does not need a permit from us.

Senator REID. In fiscal year 1987, $40,000 was appropriated for contracts with experts and consultants.

Will your $20,000 contribution to the environmental impact statement come from this class of money?

Mr. GRIFFITH. Yes, sir; it would.

Senator REID. If so, what projects do you think might have to be deferred due to the redesignation of your consultant appropriation?

Mr. GRIFFITH. For the $20,000 we would not have to defer any projects. More than that amount would be a problem.

Senator REID. Your proposal for the funding of the environmental impact statement indicates that $100,000 will be required in appropriations for 1988 for the continuation of the study.

Do you think the study will be completed in 1988?

Mr. GRIFFITH. Yes, sir; we do.

Senator REID. The subcommittee needs to determine whether congressional subsidization of this study is appropriate, and you have already indicated the reasons that the JTL Enterprises, which stands for James T. Lewis, as I understand it——

Mr. GRIFFITH. That is correct.

Senator REID [continuing]. Why they haven't come forward to cover part of those costs.

You have covered that already, have you not?

Mr. GRIFFITH. Yes, I have. If you wish more details, I could give them.

Senator REID. It seems as though 1987 will be the year of PortAmerica for your agency. It takes a lot of your time; is that a fair statement?

Mr. GRIFFITH. Yes, sir; it has taken a good deal of both the staff and the Commission's time.

Senator REID. As the lead agency, you have struggled to find the $400,000 required for the environmental impact statement, you have wrangled with OMB to help with the funding, you have taken on an extensive writing campaign asking 10 other involved Federal agencies for financial support, you have negotiated with the developer for funds, and you have given up $20,000, or one-half of your total consultant appropriation for 1988.

Obviously, this has affected your work in other areas of your jurisdiction.

Will this extensive involvement in one project have a detrimental effect on development within the Capital region in fiscal year 1987 and fiscal year 1988?

Mr. GRIFFITH. If we are not able to acquire the additional funds, it would, because we would have to divert the resources of staff people. If we are able to acquire the additional funds, we will be able to supplement our staff resources with consultant help, and that would not have as much of an effect.

Mr. URQUHART. And I think we really need to do that, Mr. Chairman.

Senator REID. I understand.

PortAmerica is projected to cost over $1 billion by the time it is completed.

Is that also true?

Mr. GRIFFITH. Yes, sir; it is.

Senator REID. It seems that in a budget of this proportion there should have been money set aside to undertake the necessary environmental impact studies, wouldn't you think?

Mr. GRIFFITH. Yes, sir; the developer, in fact, has spent a little over $400,000 in terms of his own environmental information.

Senator REID. How much?

Mr. GRIFFITH. He has told us he has already spent a little over $400,000 over the last 4 or 5 years.

However, we have looked very closely at that information, and we have found gaps. We have found much of it is not applicable to the kinds of information we need to make decisions. It is that type of analysis in terms of what NEPA requires, what he has on hand, and the gaps we would have to fill that led us to our own figure of an additional $400,000.

Senator REID. What would happen if Congress by law prohibited the use of any Federal funds to process the environmental impact statement? Where would the moneys come from?

Mr. GRIFFITH. Well, as I say, part of the money will have to come from the developer, anyway. What could not come from the developer would have to be taken up in staff time and resources.

Mr. URQUHART. And we have determined that we can't sell donor plaques to raise this money, Mr. Chairman.

Senator REID. I am sorry, what did you say?

Mr. URQUHART. We have determined that we can't sell donor plaques to raise this money.

Senator REID. OK.

FOREIGN MISSIONS

OK, changing the subject, which I am sure won't upset you, you list as fiscal year 1986 accomplishments coordination with the Department of State on the implementation of portions of the foreign missions element of the comprehensive plan.

What role does the Commission have in the location of foreign missions in our Nation's Capital?

Mr. URQUHART. I think we work at two levels, Mr. Chairman.

First, from a comprehensive planning point of view we work extensively and with the cooperation of the District Government in the Commission's determining where long-term foreign missions—that is embassies, chanceries, and international organizations—might more appropriately locate, and that eventually works into the zoning process, into the D overlay zones, and so forth.

We, as you know, have worked on the implementation of the Foreign Missions and International Agencies Act. In that context we have worked to develop a manual for foreign missions which the State Department can distribute, or will shortly be distributing I should say. This is a how-to manual for a foreign country, often for smaller countries, as to how the process works, what the interaction is between the State Department, the District Government, NCPC, Zoning Commission, Board of Zoning Appeals, and so forth.

Then we also get involved on another level in specific applications from time to time.

Senator REID. What was your role, if any, with respect to the recent issue regarding the purchase and occupancy of property by South Korea?

Mr. URQUHART. Mr. Griffith, would you handle the specifics of that, please?

Mr. GRIFFITH. The Commission did not look at South Korea. South Korea was submitted by the State Department to the staff of the Commission, with the request as to whether or not it met the policies that Mr. Urquhart has referred to.

We, at the staff level, then responded to the Department of State that it did, in fact, meet those requirements.

GENERAL SERVICES ADMINISTRATION'S OPPORTUNITY PURCHASE PROGRAM

Senator REID. There have been several recent articles in the newspaper about GSA's Opportunity Purchase Program.

Has the GSA consulted with the Commission in the development of this program with respect to the several properties purchased to date?

Mr. URQUHART. They have, Mr. Chairman, begun to consult with us, and we believe that we are working out a mechanism so that we can effectively incorporate or cooperate with that program vis-a-vis our responsibilities in protecting the Federal interest.

That program, I would add, as you understand, necessarily operates with great confidentiality and often rather expeditiously.

Senator REID. Thank you, Mr. Urquhart and Mr. Griffith, for your testimony today. I, of course, wish you luck in the challenges that lie ahead, and you have plenty of them.

ADDITIONAL COMMITTEE QUESTIONS

There will be some additional questions from the subcommittee, and we would appreciate written response to those.

Mr. URQUHART. We would be delighted.

Thank you, sir.

Senator REID. OK. Thanks for being here.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

BUDGET INCREASE

Question: What were your costs in FY 1987 for the pay increase and the new retirement system?

Answer: The FY 1987 costs were $48,000 for the pay increase and $35,000 for the new retirement system.

Question: How did you absorb these costs?

Answer: These costs were absorbed by "lapsing" vacant positions, and holding down promotions.

Questions: What specifically was deferred or deleted from your original plans for FY 1987?

Answer: There were no deferrals or deletions in our FY 1987 plans.

SMITHSONIAN AIR AND SPACE MUSEUM

Question: There has been considerable discussion with regard to the extension of the Smithsonian Air and Space Museum to a site adjacent to Dulles Airport. This facility reportedly would house the Space Shuttle Enterprise.

A March 7, 1986 article in the Northern Virginia Sun noted that an authorization measure to begin raising funds for construction of the museum was awaiting congressional approval.

Please provide the committee with an update of this proposal.

Answer: A bill was introduced in the last session of the 99th Congress that would have authorized front-end planning for the museum annex at Dulles. The bill did not make it through the legislative process, however, and, at this time, there is no funding for planning or construction of this facility. In fact, a Congressional prohibition specifically constrains the Smithsonian Institution from doing any planning for the annex.

DULLES ACCESS ROAD AND THE TOLL ROAD

Question: With plans for expansion of Dulles Airport and the possibility of a new museum in the same area, the issue of highway congestion has arisen. There have been several proposals for widening the Dulles Access Road, and the Toll Road to accommodate these growing needs.

Has the Commission reviewed any of these proposals and has any decision been made?

Answer: The Commission has not reviewed specific development plans for these proposals. The master plan for Dulles which the Commission reviewed last year identified the requirement for ultimately widening the Access Road from two to four lanes in each direction between the airport and Sully Road (Route 28) and from two to three lanes in each direction between Sully Road and the Capital Beltway. In its action on the master plan, the Commission also recognized the likely need to widen the Toll Road to three lanes in each direction.

The Commission requested that FAA prepare and submit a full circulation plan for the airport, providing, among other proposals, an indication of the future treatment of the Access Road, including provisions for a rapid rail line in the median and showing the impacts of the additional traffic lanes and the rail line on the scenic character of the Access Road, a major gateway to the Nation's Capital. To our knowledge, no decision has been made to proceed with any of these improvements. We understand, however, that environmental documentation is being prepared by the Virginia Department of Highways and Transportation covering the widening of the Toll Road, as well as extension of the Toll Road through the Dulles property to link up with state roads to the west.

WJLA-TV

Question: Were you involved with the leasing of Intelsat Space by WJLA-TV?

Answer: The Commission was aware of the provisions in the lease between the Department of State and Intelsat which provides for subleasing to Foreign Missions, Federal agencies and or private office space users. The lease allows up to 20% of the space to be leased for private office users when no other Foreign Mission or Federal agency requires the space.

The Washington Post article of February 14, 1987, indicates N.C.P.C. approved the lease. That is not correct. The Commission approved the reconstruction of a portion of the Intelsat building which WJLA-TV leased from Intelsat.

GREAT PLAZA SITE

Question: Have you reviewed any plans for the proposed Great Plaza Federal Office Building on Pennsylvania Avenue?

Answer: The Commission has not reviewed actual project plans for this building, but it did, in May 1982, review a master plan for the Federal Triangle that included provisions for Federal office development and retail and multi-use space on the Great Plaza. More recently a proposal has been made to locate the United States International Cultural and Trade Center on the Great Plaza site. This center would also be a mixed use facility and would contain over a million square feet of Federal office space. The staff and the Commission have been briefed on this proposal, but it has not been formally submitted for Commission action. We expect that a revised master plan for the Federal Triangle incorporating the new proposal will be submitted for formal Commission review within the next two months.

Question: At this time, the Great Plaza site is a parking lot. The parking situation downtown is very tight and very expensive.

Even if the building has a parking lot, the office space itself will bring hundreds or thousands of additional employees to the downtown area.

Are there any proposals before the Commission for relief of the parking problem downtown, and for Washington in general?

Answer: The 1982 Master Plan for the Federal Triangle provided for over 2,100 garage parking spaces under the proposed buildings in the Great Plaza. We understand that the underground garage now contemplated on this site for the proposed International Cultural and Trade Center would range in size from 1,300 to 2,600 spaces. The Commission will, of course, assess any changes in the parking proposals for the Great Plaza at the time of the review of a revised master plan for the Federal Triangle. There are no other major parking proposals in the downtown area that we know of at this time.

However, the Commission's Federal Facilities element of the Comprehensive Plan for the National Capital contains policies that call for one parking space for each five Federal employees in downtown and adjacent areas and one space for each three employees in the rest of the District of Columbia. Each Federal project reviewed by the Commission is assessed for conformance with these policies, and Federal agencies are encouraged to balance their parking plans with transportation strategies encouraging car-pooling and public transit usage to try to minimize the number of cars brought into the city. In conjunction with its preparation of a sector plan for the Monumental Core area, the Commission is studying visitor and tourist parking problems, and we hope to have a number of proposals in the Monumental Core plan to help improve the parking situation for visitors and tourists.

WISCONSIN AVENUE CORRIDOR

Question: In the past year, there has been considerable controversy surrounding overdevelopment of the upper Wisconsin Avenue residential area. This began early in the year with local residents opposing the construction of a road through a portion of Glover-Archbold Park.

Please update the Committee on this development.

Answer: An unimproved right-of-way in Glover Archbold Parkway was closed in 1969. A short section of public street right-of-way just north of the closing in the parkway, between proposed Upton Street, on the south, and Van Ness Street, on the north, was not closed at that time. The developer of the adjacent property, at the corner of Wisconsin Avenue and Van Ness Street, applied some time ago to the District of Columbia Government for permission to improve the section of street that had not been closed, and the District Government issued a license for this work. A citizens group has sued to prevent the construction of the street improvements as proposed by the developer, however, and the matter is now pending a decision by the court.

Question: Recently, a section of upper Wisconsin Avenue was downzoned to reduce commercial development in this area in response to resident's protests.

Has this proposal been considered by the Commission? If not, when do you expect to make a recommendation?

Answer: This zoning case was reviewed by the Commission at its April 2, 1987 meeting, and the Commission found that the rezoning would not adversely affect the Federal establishment or other Federal interests in the National Capital, nor be inconsistent with the Comprehensive Plan for the National Capital.

DONOR PLAQUES ON FEDERAL PROJECTS

Question: During the past year the Commission has been quoted as being concerned over the listing of donors who contribute to Federal projects. Why is the Commission concerned?

Answer: During the past year, the Commission has grown concerned with finding an appropriate means to give public recognition to private contributors to Federal projects. The Commission recognizes that these private contributions are becoming increasingly necessary, particularly for certain kinds of projects. It is not opposed to recognizing these donors but believes that the method of expressing appreciation must be restrained, if some Federal properties are not to be overwhelmed with various kinds of donor acknowledgements.

Question: Could you give us a summary of recent submissions of Federal projects in which the proposed recognition of private donors has been an issue of concern to the Commission?

Answer: In two recent submissions, the proposed recognition of private donors has been a particular issue.

1. A submission to erect a display of the original columns from the old east front of the U.S. Capitol Building at the National Arboretum included a proposal to place donor plaques immediately adjacent to each of the columns with inscriptions honoring or memorializing donors or their relatives. The Commission was concerned that the placement of the plaques and the inscriptions would inevitably give the impression that the donors actually owned the U.S. Capitol columns and that the display was a memorial to the donors and their relatives.

2. A submission for the German American Friendship Garden to be inserted on the Washington Monument Grounds originally included a proposal to inscribe 50 donor names in a very obvious location. The Commission felt that it was totally inappropriate to give this kind of recognition to private contributors on this principal symbol of our Nation, and that it would set an overwhelming precedent for future privately funded projects.

We are working with Federal agencies to ensure that solicitations of private contributions for future Federal projects in the National

Capital do not include specific commitments for either the location or the type of donor acknowledgements. We are also trying to develop standards and criteria to guide the future recognition of private contributions at Federal facilities.

GSA'S OPPORTUNITY PURCHASE PROGRAM

Question: How does the GSA's opportunity purchase program affect your congressional mandate as the central planning agency for the Federal government in this region?

Answer: The Commission is mandated to review and/or approve the location and design of Federal office buildings according to policies established in the Comprehensive Plan, which are intended to insure the orderly development of the National Capital. The Commission will apparently be precluded from any meaningful review of the buildings to be purchased under this program, as it is presently being carried out by GSA. NCPC staff is currently working with the GSA in the hope of solving some of these problems.

Question: What are the long range implications of this program in terms of the image and functioning of the National Capital?

Answer: Over time, if substantial numbers of Federal Departments or major branches of such departments become permanently located in basically speculative office buildings and complexes, the entire image of the National Capital as the seat of government will be affected. Because of the emphasis being placed on getting the "best deal", it is also likely that gradually there will be a massive move of the Federal government out of the District of Columbia into the suburban jurisdictions, threatening the very role of Washington as the Capital city. Furthermore, Federally owned lands, such as the Southeast Federal Center, for which development has long been planned, will not be developed within a reasonable time frame. Federal agencies already located in such areas will eventually seek to relocate because the anticipated supportive neighboring development will not have occurred.

DEPARTMENT OF THE INTERIOR

U.S. GEOLOGICAL SURVEY

STATEMENT OF DALLAS L. PECK, DIRECTOR

ACCOMPANIED BY:

- **DOYLE G. FREDERICK, ASSOCIATE DIRECTOR, U.S. GEOLOGICAL SURVEY**
- **PETER F. BERMEL, ASSISTANT DIRECTOR FOR PROGRAMS**
- **JAMES E. BIESECKER, ASSISTANT DIRECTOR FOR INFORMATION SYSTEMS**
- **JAMES F. DEVINE, ASSISTANT DIRECTOR FOR ENGINEERING GEOLOGY**
- **RAYMOND D. WATTS, ACTING ASSISTANT DIRECTOR FOR RESEARCH**
- **EDMUND J. GRANT, ASSISTANT DIRECTOR FOR MANAGEMENT APPLICATIONS**
- **JACK J. STASSI, ASSISTANT DIRECTOR FOR ADMINISTRATION**
- **PHILIP COHEN, CHIEF HYDROLOGIST, WATER RESOURCES DIVISION**
- **BENJAMIN A. MORGAN, ACTING CHIEF GEOLOGIST, GEOLOGIC DIVISION**
- **LOWELL E. STARR, CHIEF, NATIONAL MAPPING DIVISION**
- **ANTHONY L. ITTEILAG, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR**

BUDGET REQUEST

Senator REID. We will now turn to the fiscal year 1988 budget estimate for the U.S. Geological Survey [USGS].

[Pause.]

Senator REID. Good afternoon, everyone.

Testifying before the subcommittee today is Dallas Peck, Director of the U.S. Geological Survey.

Dr. Peck, again the subcommittee welcomes you.

The fiscal year 1988 budget request for the Geological Survey is $420,178,000, an increase of about $1.5 million over the fiscal year 1987 enacted level to date. A 1987 supplemental request of $2,597,000 is pending at this time. The supplemental request consists of $2 million for the development of a departmentwide accounting system and $597,000 to replenish emergency funds required by volcano and flood damage in 1986.

PREPARED STATEMENT

Dr. Peck, if you would introduce your associates who may be assisting you today, we will of course, as I indicated to the last panel of witnesses, insert your statement in the record and would ask that you summarize the same, and then we will proceed with questions.

Dr. PECK. Thank you.

Senator REID. Would you introduce your associates?

[The statement follows:]

STATEMENT OF DR. DALLAS L. PECK

Mr. Chairman, I appreciate the opportunity to discuss with this subcommittee the budget request of the United States Geological Survey (USGS) for Fiscal Year (FY) 1988. The programs of the Geological Survey provide geologic, topographic, and hydrologic information that contributes to the management of the Nation's natural resources. This information consists of maps, data bases, and descriptions and analyses of the water, energy, and mineral resources, land surface, underlying geologic structure, and the dynamic processes of the Earth. The Surveys, Investigations, and Research appropriation request for FY 1988 totals $420,178,000, an increase of $1,513,000 compared to the FY 1987 appropriation of $418,665,000. The FY 1988 budget request is a decrease of $1,084,000 from the current FY 1987 estimate of $421,262,000. The FY 1987 current estimate includes a supplemental request of $2,000,000 for the development of an improved financial accounting system for the Department of the Interior and $597,000 to replenish funds which were transferred under emergency authority for flood and volcano costs in FY 1986. The FY 1988 budget estimate includes $7,997,000 for increased pay costs, $21,788,000 for the costs of the new Federal Employee Retirement System, and $3,893,000 for increased rent payments. Within the request, programmatic reductions of $30,981,000 are proposed in order to support the effort to reduce the Federal deficit.

I believe we have prepared a budget request that will enable us to support the deficit reduction effort while giving us the flexibility to maintain what we consider to be the highest priority work and to develop new programs that we believe will have substantial payoff in the future. Our intention is to implement the reductions in a manner that will have the minimum impact on these programs. We will continue to take advantage of the benefits of working cooperatively with other Federal, State, and local agencies, and with our academic and industry counterparts.

National Mapping Program

The Geological Survey is requesting a total of $87,415,000, an increase of $887,000 from the FY 1987 appropriated amount, for the National Mapping Program to produce and make available cartographic, geographic, and remotely sensed information and services. The efforts of the program involve a large variety of basic and special products, research, and services depicting the Earth's natural and cultural features and which are increasingly important in meeting an enormous and growing demand for data in land planning, development, and management. The total funds requested are a net reduction of $5,101,000 from the FY 1988 base.

The National Mapping Program includes a number of planned and ongoing activities worthy of mention. Of particular note within the National Mapping Program is the major effort begun in 1983 and continuing today with the Bureau of the Census. The two agencies are working to build a 1:100,000 scale digital cartographic data base, which the Bureau of the Census will use in the 1990 Decennial Census and subsequent economic censuses and surveys. This data base will be available to the Bureau of the Census and other users for the conterminous United States by mid-1987. The availability of this national data base and the compatibility of census data with the USGS data will provide significant benefits to Federal, State, and local entities, and private users. In order to continue the cooperative efforts of the two organizations beyond this specific project, we have begun discussions to establish procedures and mechanisms for joint marketing of available products. We intend to continue our efforts by developing a national data base at the intermediate scale.

The Geological Survey continues to enhance its capabilities in the area of Geographic Information System (GIS) research and applications. We began late in 1985 to build a sound research base, conduct cooperative application projects, exchange earth science data bases, and encourage the use of GIS technology as an analytical tool. In our Reston headquarters, we set up a GIS Research Laboratory this fiscal year, in which the various divisions co-located equipment. The emphasis is on multi-divisional and interdisciplinary cooperation, and economies of scale through shared resources.

Funding of $13,218,000 is requested to continue the development of Advanced Cartographic Systems, taking advantage of current Department of Defense (DoD) developments in the fields of digital cartography and photogrammetry. The request represents a $1 million increase over the FY 1988 base, and will fund the procurement of necessary software and equipment that is available at incremental cost as a result of the DoD investment. The advances in state-of-the-art technology and new developments in the private sector such as mass data storage units, more powerful computers, improved data management systems, interactive computer graphic devices, and data processing systems, will have the greatest impact on the science of cartography and map information production of any advancement of the last 40 years. In cooperation with the Office of Management and Budget, the Geological Survey completed in October, 1986, a cost-effectiveness study which demonstrated that Advanced Cartographic Systems technology is the most cost-effective way to provide map production capacity through the year 2000.

Within the Primary Mapping and Revision subactivity the Geological Survey will shift resources from primary mapping to map revision in order to correct and upgrade substandard and deficient maps and data. This effort will ensure current and accurate data for the National Digitial Cartographic Data Base. We project that we will complete first-time national coverage of the United States with standard primary maps by 1990. In FY 1988, we will complete coverage for North Carolina and Vermont.

The funding reductions proposed for the National Mapping Program will result in delays in completing some ongoing efforts and deferrals of lower-priority projects in some activities. Among these would be a one-year delay in the three-year effort to digitize Public Land Survey System (PLSS) and political and administrative boundaries data, and a delay in acquisition of some of the advanced hardware and software capabilities for using GIS technology. In addition, no funds are requested for the Side-Looking Airborne Radar subactivity.

Geologic and Mineral Resources Surveys and Mapping

The request for Geologic and Mineral Resource Surveys and Mapping for FY 1988 totals $164,824,000, a decrease of $892,000 from the FY 1987 appropriated amount of $165,716,000. This request funds a national program which provides geologic, geochemical, and geophysical information for other government agencies, industry, and the general public on land, energy, and mineral resources and on geologic hazards of the Nation and its territories. Included in the request are $10,700,000 in programmatic reductions from the FY 1988 base.

In this activity there are several planned and ongoing activities which I believe are worthy of discussion. In the Earthquake Hazard Reduction Program we intend to continue refining earthquake potential estimates, carry on the Parkfield earthquake prediction experiment, and support earthquake prediction techniques and analysis. Working closely with the State of California, the USGS has successfully installed equipment for the Parkfield earthquake prediction experiment and has signed a Memorandum of Understanding with the Nuclear Regulatory Commission (NRC) to begin implementation of a new seismograph network that will eventually replace regional networks currently supported by the NRC in the eastern United States. In January, 1987, the new Hawaiian Volcano Observatory was dedicated, a major contribution to volcano research that was made possible through the efforts of the Congress.

In FY 1988, the USGS plans to implement the National Geologic Mapping Program based on active support from the State Geological Surveys, the National Research Council, and the National Academy of Sciences. This initiative to increase the production of geologic maps is in response to the broad recognition that general purpose geologic mapping has become ever more critical to the resolution of societal issues ranging from traditional ground water, energy, and mineral resource concerns to both natural and man-induced hazards. Taking advantage of new technology in map production, the USGS has completed a prototype regional geologic map of the Department of Energy's Nevada Test Site to serve as a foundation for geophysical, hydrologic, and engineering studies related to nuclear testing and waste disposal.

In the Exclusive Economic Zone program, the USGS soon will publish the results of the GLORIA surveys of the Gulf of Mexico and the first folio of the Continental Margin Mapping program covering the Baltimore Canyon. In every area covered thus far including the West Coast, Gulf of Mexico, and those areas covered off Alaska and Hawaii, GLORIA surveys have revealed significant geologic features related to seafloor processes and energy and mineral resources that were previously unobserved and unknown. During FY 1988, we plan to conduct sonar surveys in Pacific Ocean areas and Alaska to map the seafloor at a rate of 300,000 square nautical miles annually.

The Coastal Erosion Program is in its second year of the cooperative program with the State of Louisiana to determine the causes of the extraordinary land loss that the State is experiencing. USGS expertise in paleoclimatology has also been the basis for constructive collaboration with the Illinois Geological Survey in addressing the coastal problems associated with the rising water levels in Lake Michigan.

Work is proceeding well at the Cajon Pass drilling project in California, under the Deep Continental Studies program which began in FY 1985. This program is conducted in close coordination with the National Science Foundation, the Department of Energy, and academia. The USGS will conduct a series of experiments in the test hole prior to it being established as the Nation's first Deep Earth Observatory.

Work proceeds in completing mineral surveys of Bureau of Land Management lands being considered for recommendation by the Secretary of the Interior for potential wilderness withdrawal. We expect to have the surveys completed by March of 1990, provided that no new additional lands are added to the list of study areas.

In FY 1984, the subcommittee supported the transfer of the National Uranium Resource Evaluation (NURE) data base from the Department of Energy to the USGS. The timing of the transfer was fortuitous because the data, originally acquired to aid in the search for uranium, have become a critical asset which we are using to assist the States and the Environmental Protection Agency in addressing radon hazards. The USGS activity is being conducted as an adjunct to the ongoing work in the Uranium program.

The reductions proposed for Geologic and Mineral Resources Surveys and Mapping will result in deferrals and curtailments to ongoing activities in a number of programs. For example, there would be reductions in USGS-supported seismic networks, deferral of some cooperative geologic mapping projects, closing of geomagnetism observatories in Alaska and Washington, slowing of forest-wide mineral surveys, deferral of verification surveys following GLORIA sonar surveys, discontinuation of the Coastal Erosion program, and stretching out completion of research studies of geothermal processes.

Water Resources Investigations

The request for FY 1988 for Water Resources Investigations totals $137,209,000. This represents a net increase of $351,000 from the FY 1987 appropriated level of $136,858,000. Included within the request are $15,180,000 in proposed programmatic reductions from the FY 1988 base. This national program supports the collection of the largest single data base of information in the Nation on surface and ground water resources and supports the conduct of a wide range of hydrologic research regarding water resources problems and issues.

There are a number of accomplishments and activities that I believe are worth describing briefly. The National Water Quality Assessment (NAWQA) pilot studies program is well underway. These studies are ongoing in four river basins and three aquifers, with involvement from representatives from Federal, State, and local governments. The NAWQA program in FY 1988 will continue to develop the four or five best projects, and field, laboratory, and interpretive techniques needed in the individual study areas. At the present time plans are to ask the National Academy of Sciences to evaluate the pilot program in order to assist in determining the potential utility of a full-scale NAWQA.

During FY 1988, under the Federal data collection program, we will continue our research to develop analytical methods and field techniques for evaluating water quality, with particular emphasis on improving the capability for measuring organic compounds.

Our Regional Aquifer System Analysis program will continue to develop valuable information on the quantity and quality of water in regional ground-water flow systems, a significant part of the Nation's water supply.

We will continue research and development for other measurement technologies and instruments oriented toward acid rain, water use, and other ongoing water resource investigation programs.

In FY 1988, in the Water Resources Assessment Program, we will continue to assemble and synthesize existing information about water availability, quality, and use; trends in conditions; and the nature of water issues. A primary product of this program is the annual National Water Summary.

Activities under the Toxic Substance Hydrology program will include: development of transport models to simulate the movement of gases in the unsaturated zone; laboratory and field investigations of the interactions between hazardous organic substances and naturally-occurring organic material; investigation of biological response to and transformation of hazardous substances; and development of methods for analysis of trace concentrations of hazardous substances in solution and those associated with solid surfaces.

We have a series of intensive studies underway at a variety of toxic-waste sites across the country funded by the Toxic Substances Hydrology Program. One of the elements of several of these studies has been to see if we could find real evidence of the influence of micro-organisms on possibly "cleaning up" certain kinds of pollutants in groundwater. Our work in Cape Cod, Massachusetts; Bemidji, Minnesota; and Pensacola, Florida, is confirming that the population of naturally occurring microbes increases dramatically in the presence of certain organic pollutants (sewage, crude oil, creosote) and does, in fact, consume those substances. As a result, we find that these micro-organisms do act to slow the movement and reduce the concentrations of some organic pollutants through the ground. These findings have great relevance to the fashioning of workable strategies to clean up or mitigate problems at known toxic-waste sites.

Over the last five years, the Federal-State Cooperative program has seen an increased emphasis on water-quality issues. Presently, nearly three-fourths of the program's investigations address water quality concerns; of these, one in four is principally concerned with hazardous substance contamination of surface water or ground water.

Our core hydrologic research program has a number of useful and interesting investigations underway. One of these is the use of satellite data to measure the quantity of water in mountain snowpacks. Currently, intensive studies are being carried out in conjunction with the National Aeronautics and Space Administration to develop this capacity, which would be essential to both flood hazard and water supply analysis in many areas of the Nation.

The reduction proposed for Water Resource Investigations would result in deferral of activities and curtailment of efforts in a number of programs.

Examples include: delay in completion of some of the ongoing studies under the Regional Aquifer Systems Analysis Program, a decrease in the number of hydrologic investigations under the Federal/State Cooperative Program, modification of the Nuclear Waste Hydrology Program to concentrate on low-level waste research and investigations, a decrease in funds for matching research grants and institute grants, discontinuing the dedicated funding for the Oregon Graduate Center, and discontinuing the Water Resources Scientific Information Center.

In summary, the USGS FY 1988 budget provides for the continuation of important initiatives in all our major activities, funds increased costs for salaries and the new retirement system, and reflects programmatic reductions consistent with meeting deficit reduction targets. In preparing the budget for our programs, we continue to make adjustments in order to maintain what we consider to be the highest priority work and to develop new programs. We assess our activities on an ongoing basis to determine where we can achieve new efficiencies and savings. Toward this end, we are in the process of completing the consolidation of our map distribution facilities. The process of combining the water quality laboratory activities into one central facility located in Denver, Colorado, is complete.

Mr. Chairman, I and members of my staff would be pleased to answer any questions you and other members of the subcommittee may have.

Biography of Benjamin Arthur Morgan

Born: Greenville, South Carolina, January 30, 1938

Education: Primary schools, Albany, New York; Bridgewater, Virginia; Greenville, South Carolina; Rock Hill, South Carolina. University of North Carolina at Chapel Hill, B.S. in Geology, 1960; M.A. in Geology in 1963; Princeton University, Ph.D. in Geology in 1967.

Professional Employment: Assistant Professor, Geology, Georgia State College, 1965-1967; Geologist, U.S. Geological Survey, 1967-1980; Chief, Branch of Field Geochemistry and Petrology, 1980-1982; Chief, Office of Geochemistry and Geophysics, 1982, Assistant Chief Geologist for Program, 1982-April, 1987; Acting Chief Geologist, April 1987.

Professional Experience: Geology of northern Venezuela, 1963-1967; metamorphic geology of the Appalachians, 1967-1970; geology of the western Sierra Nevada, California, 1970-1976; structure and petrology of the central Appalachians, 1977-1980. Instructor for USAID supported courses for Brazilian Government geologists at Belo Horizonte, Minas Gerais, Brazil, 1975. Editor for Special Symposia volumes and chairman, Publications Committee, Mineralogical Society of America, 1970 and 1974-1976. Panel member for the Consortium for Continental Reflection Profiling, a committee for seismic reflection studies in the southern Appalachians, 1977-1979. Member of interagency committee for oversight of Continental Scientific Drilling, 1984-present. International symposia panelist for Scientific Continental Drilling in New York, 1984; Texas, 1986; Germany, 1986. U.S. Geological Survey liaison to National Academy of Sciences boards and committees: Geochemistry, 1982-1984; Committee Advisory to the USGS, 1983-present; Board on Earth Sciences, 1985-present.

Scientific and Professional Societies: Geological Society of America (Fellow); Mineralogical Society of America (Fellow); American Geophysical Union.

Honors: Department of the Interior Meritorious Award, 1984
Award for Exceptional Performance, 1985 and 1986
Fellow in Geological Society of America
Fellow in Mineralogical Society of America

INTRODUCTION OF ASSOCIATES

Dr. PECK. I am joined today by Mr. Doyle Frederick, the Associate Director, and Mr. Pete Bermel, the Assistant Director for Programs. They are at the table with me.

In the room are Mr. Jim Biesecker, the Assistant Director for Information Systems; Mr. Jim Devine, Assistant Director for Engineering Geology; Raymond Watts, the Acting Assistant Director for Research; Edmund Grant, Assistant Director for Management Applications; Jack Stassi, Assistant Director for Administration; Phil Cohen, Chief Hydrologist; Benjamin Morgan, Acting Chief Geologist; Lowell Starr, Chief of the National Mapping Division; and we are joined by Tony Itteilag, the Director of Budget for the Department of the Interior.

With that, Senator, I would be pleased to proceed with your questions.

SUMMARY OF APPROPRIATION REQUEST

Senator REID. Would you like to summarize your statement, tell us a little about the agency, what you are doing?

Dr. PECK. Yes; we are requesting, Mr. Chairman, somewhat over $420 million for fiscal 1988 appropriations.

The Geological Survey carries out technical investigations, research, and the publication of results in a broad field of Earth sciences, including mapping, preparation of topographic maps, water resources, energy resources, and natural hazards.

As part of the proposed budget for this year, Mr. Chairman, we are requesting increases in the Advanced Cartographic Program to reap the benefits of work with the Defense Department in modern mapping technology.

We are requesting the continuation of a number of programs focusing on water quality, including a new program, the pilot National Water Quality Assessment Program.

In the Geologic Division programs we are continuing our work in earthquake hazards. We are placing additional emphasis on geologic mapping, following a request by State geologists and the National Academy of Sciences, and we are preparing a better, tighter organization of our efforts in that area and continuing a cooperative mapping program with the State geological surveys.

We have carried out over the last few years several efforts in order to reduce expenses because of the need to constrain our budget in these difficult times.

One of which we are proud is the combining of our map distribution centers into a single center in Denver, with considerable savings in both rent and staff.

I think that summarizes our program for this year, Mr. Chairman.

EARTH RESOURCES OBSERVATION SYSTEMS DATA CENTER

Senator REID. Joining us in the hearing is Senator Pressler.

Senator Pressler, do you have a statement?

Senator PRESSLER. I will put most of my statement in the record, but there is one item in the U.S. Geological Survey's $420 million fiscal year 1988 budget which is of particular importance to me, and I appreciate the opportunity to speak on it in this forum.

Mr. Chairman, I am here because of an admittedly parochial interest in the Earth Resources Observation Systems [EROS] Program, which is funded by the Geological Survey, whose witnesses are here today.

The EROS Data Center is located near Sioux Falls, SD. It employs nearly 350 talented South Dakotans, and I have spent a lot of time and energy and efforts in keeping up with it and working on it, and it is a great benefit to the United States as well as our State.

OMB has recommended a $2 million reduction in this $9 million program. This represents a cut in excess of 20 percent, an amount which in my opinion jeopardizes the viability of the entire program and is wholly unacceptable.

The EROS program's scientific and technological merits speak for themselves. In addition, the benefits derived from this program are truly national, indeed international in their scope.

So although I am here defending what may appear to be a local interest, I do so with the luxury of knowing that it is one of the most legitimate, defensible programs of which I can speak.

My purpose today is to make the case for the EROS Program entirely on its merits and to urge you to maintain EROS funding at its current level.

My request is based on the program's reputation and the record of achievement to date and on its inevitable future scientific contributions and technological breakthroughs.

The EROS Data Center enjoys a national and international reputation as a highly competent world leader in remote sensing and geographic information systems technology development. It has been involved in the land satellite remote sensing field longer and stronger than any other facility in the entire world.

Its talented scientists and engineers have made tremendous breakthroughs in applications for satellite and other remotely sensed data received and stored at the center.

For example, its talents and products are used in developing sophisticated computer maps. Also, it is heavily involved in Federal land management; urban planning; crop yield forecasting; mineral and energy resource exploration; locating and monitoring large-scale disasters, such as earthquakes, floods, air, and water pollution and, most recently, the nuclear disaster at Chernobyl, which incidentally was 1 year ago next Sunday.

Users of these products include not only the private sector, but dozens of Government agencies as well. The Department of Defense, the Department of Commerce, NASA, the CIA, and numerous agencies within the Department of the Interior are some examples.

So the relatively small investment in the program is paid back many times over, not only in scientific and technological advances but in Government cost savings as well.

In the interest of time, I will detail more fully these and other examples of the EROS Program contributions for the record.

The real problem with this budget, and what I assume is the driving force behind OMB's proposed $2 million cut for the EROS Program, is an agencywide salary compensation issue.

As I understand it, the Survey's $420 million budget this year is roughly the same as it was last year, but the agency has incurred an additional liability of roughly $20 million in employee compensation obligations. These salary payments are being funded through program operation cuts in other areas.

Obviously, I am not pleased that the EROS Program is one of those being cut, but I must say, Mr. Chairman, that I can appreciate the difficult decisions confronted by the Survey in its budget process.

I have worked closely with the U.S. Geological Survey over the years and have always found it to be one of the most efficient and professional agencies in the Government. I do not know of any of its programs which should be cut. Unfortunately, I cannot say the same for some of its sister agencies within the Federal Government.

My point, in conclusion, Mr. Chairman, is that I believe it is rather shortsighted of OMB to cut many of these very important programs without fuller consideration of their return to the Government.

In the past this committee has acted wisely in restoring proposed cuts of this sort. I urge you to take a careful look at the merits of the EROS Program and do the same.

With that, Mr. Chairman, I close my opening statement. I do have some questions for Director Peck.

PREPARED STATEMENT

Thank you very much for allowing me to participate in today's hearing.

[The statement follows:]

STATEMENT OF SENATOR LARRY PRESSLER

Mr. Chairman, thank you for your courtesy in allowing me to participate in this afternoon's hearing. There is one item in the U.S. Geological Survey's $420 million fiscal year 1988 budget which is of particular importance to me, and appreciate the opportunity to speak on it in this forum.

Mr. Chairman, I am here because of an admittedly parochial interest in the EROS Program, which is funded by the Geological Survey. The EROS Data Center is located near Sioux Falls, SD, and employs approximately 350 talented South Dakotans. OMB has recommended a $2 million reduction in this $9 million program. This represents a cut in excess of 20 percent—an amount which in my opinion jeopardizes the viability of the entire program and is wholly unacceptable.

The EROS Program's scientific and technological merits speak for themselves. In addition, the benefits derived from this program are truly national—indeed, international—in their scope. So although I am here defending a local interest, I do so with the luxury of knowing that it is one of the most legitimately defensible programs for which I can speak. My purpose today is to make the case for the EROS Program entirely on its merits, and to urge you to maintain EROS funding at its current level. My request is based on the program's reputation and record of achievement to date, and on its inevitable future scientific contributions and technological breakthroughs.

EROS PROGRAM CONTRIBUTIONS

The EROS Data Center enjoys a national and international reputation as a highly competent world leader in remote sensing and geographic information systems technology development. It has been involved in the satellite land remote sensing field longer and stronger than any other facility in the world. Its talented scientists and engineers have made tremendous breakthroughs in applications for satellite other remotely sensed data received and stored at the center. For example, its talents and products are used in developing sophisticated computer maps. Also, it is heavily involved in Federal land management; urban planning; crop forecasting; mineral and energy resource exploration; locating and monitoring large-scale disasters such as earthquakes, floods, air and water pollution, and—most recently—the nuclear disaster at Chernobyl. Users of these products include not only the private sector, but dozens of Government agencies, as well. The Department of Defense, the Department of Commerce, NASA, the CIA, and numerous agencies within the Department of the Interior are some examples. So the relatively small investment in the program is paid back many times over—not only in scientific and technological advances, but in Government cost savings as well.

Some specific examples of significant scientific contributions made by the Geological Survey's EROS Program in applying remote sensing and geographic information system technologies to help solve Earth resource management problems are illustrative of the programs' current importance and future potential:

—USGS EROS scientists are preparing approximately 50 experimental satellite image maps to provide representative coverage throughout the United States by geographic region, terrain, or land cover type. Sophisticated, computerized image processing and mosaicking techniques are employed to make these new map products. Maps at scales of 1:250,000 and 1:100,000 have been completed and published for the Washington, DC, area and areas in Virginia, Tennessee, Kansas, Nevada, California, and Alaska—and selected foreign areas as requested by the Department of Defense. Nearing completion are maps for the Tonopah/Goldfield area in Nevada, the city of New Orleans and surrounding area in Louisiana, and the Challis/Hailey area in Idaho, and work has already begun on making a 1:4,000,000-scale composite image map of the United States.

—EROS scientists have worked extensively with Bureau of Land Management and Bureau of Indian Affairs personnel in Arizona to develop and apply sophisticated, computerized vegetation mapping techniques using satellite data. Large area maps have been made for the Arizona Strip District in northwest Arizona and the Papago Indian Reservation in southcentral Arizona to support natural resource management and planning on Federal lands.

—EROS scientists are working with field geologists to develop and apply mineral resource assessment procedures using advanced, computerized geographic information system capabilities. Detailed geological, geophysical, and geochemical data bases have been built and analyzed for the Dillon and Butte areas–in Montana and work is just starting for the Delta area in Utah. The results of these procedures will be published as part of the U.S. Geological Survey's Conterminous U.S. Mineral Assessment Program.

—EROS scientists have worked extensively with Connecticut Department of the Environment/Natural Resources Center personnel to develop and apply sophisticated, computerized geographic information system techniques for assessing hydrologic conditions. More than 40 resource maps of Mystic, CT, and the surrounding area were digitized, entered into an advanced computer system, and analyzed for purposes of assessing available ground water, evaluating pollution sources, and locating potential sites for industrial expansion.

—EROS scientists worked extensively with Bureau of Reclamation personnel in North Dakota to develop and apply sophisticated, computerized mapping techniques for analyzing a large drainage basin. Hydrologic parameters, such as pothole victims and flow directions, were determined and used in water runoff models which estimate flood magnitudes upstream from the James River Dam at Jamestown.

—EROS scientists worked extensively with U.S. Forest Service personnel in Arkansas to develop and apply sophisticated, computerized mapping techniques to predict the occurrence of illegal narcotic crops on Federal lands. Topographic, natural, and cultural resources were mapped and analyzed for large parts of the Ozark National Forest to target probable locations of marijuana gardens. The results of this work were used by the U.S. Forest Service, the Drug Enforcement Agency, State law enforcement agencies in the awareness, and the identification, eradication, and prevention of marijuana gardens in Arkansas.

—EROS scientists are working with field hydrologists to develop and apply sophisticated, computerized mapping procedures to calculate water use on the Columbia Plateau in eastern Washington. Satellite images were processed and analyzed to determine the areas under irrigation and the agricultural crop types within those areas. These procedures are being incorporated into the U.S. Geological Survey's ground water use monitoring program on the Columbia Plateau.

—EROS scientists are working with Bureau of Mines and Bureau of Land Management personnel to develop and apply sophisticated, computerized geographic information system techniques for assessing minerals information on Federal lands. Maps showing land ownership, mineral occurrence, and restrictions to mining for the area around Medford, OR, and for large portions of the State of Alaska were digitized, entered into an advanced computer system, and analyzed. Results of the analysis showed, in map form, what particular minerals occur on Federal lands, who owns the subsurface mineral rights within these areas, and any restrictions to mining.

—In 1980 the U.S. Geological Survey's EROS Program established an EROS field office in Anchorage, AK, for the purpose of directly extending EROS technology to the vast regions of Alaska where the technology is currently being used to support vegetation and geologic mapping, environmental assessments of oil and gas lease areas, habitat evaluations, and hydrologic information system studies. In the last 5 years, EROS scientists have made land cover classification maps for more than two-thirds of the entire State of Alaska, and these map products are being used by the major Federal and State agencies in Alaska to prepare comprehensive land management plans.

PROPOSED BUDGET CUTS

The real problem with this budget and what I assume is the driving force behind OMB's proposed $2 million cut for the EROS Program is an agencywide salary compensation issue. As I understand it, the Survey's $420 million budget level is roughly the same as it was last year, but the agency has incurred an additional liability of roughly $20 million in employee compensation obligations. These salary payments are being funded through program operation cuts in other areas. Obviously, I am not pleased that the EROS Program is one of those being cut. But I must say, Mr. Chairman, that I can appreciate the difficult decisions confronted by the Survey in its budget process. I have worked closely with the U.S. Geological Survey over the years, and have always found it to be one of the most efficient and professional agencies in the Federal Government. I do not know of any of its programs which should be cut. Unfortunately, I cannot say the same for some of its sister agencies within the Federal Government.

My point is that I believe it is rather shortsighted of OMB to cut many of these very important programs without fuller consideration of their return to the Government. In the past, this committee has acted wisely in restoring proposed cuts of this sort. I urge you to take a careful look at the merits of the EROS Program, and do the same.

With that, Mr. Chairman, I will close my opening statement. I do have some questions for Director Peck. Thank you again for allowing me to participate in today's hearing.

DEPARTMENTWIDE ACCOUNTING SYSTEM

Senator REID. Thank you for your statement, Senator Pressler. You are sure welcome.

Dr. Peck, is it essential that the $2 million supplemental request for the departmentwide accounting system be funded before the fiscal 1988 bill is enacted in October, and if so, why?

Dr. PECK. My impression, Mr. Chairman, is that indeed it is essential. We are in the process of publishing an RFP to begin development of this system as a pilot for the entire department.

But I think Mr. Tony Itteilag, representing the Department, could speak to that.

Senator REID. Take the microphone, please.

Mr. ITTEILAG. Sure.

Senator Reid, we certainly do think it is appropriate to go ahead at this time. In fact, there has been a certain amount of activity going on during the fiscal year to get the project underway.

We think having the Geological Survey as the lead agency is of great benefit to the Department, and we do have and the Secretary has a commitment to the Office of Management and Budget that we will improve our accounting systems in the short run, so that if the project were to be delayed it would be my judgment that a certain portion of our investment would essentially have been wasted this year and probably it would put us behind schedule by several months.

Senator REID. What if Congress didn't provide the additional funds but allowed you to proceed? How would you fund the project?

Mr. ITTEILAG. Senator, I would think that, subject to the Secretary's approval, we would try to fund it within available funds of the Department by, in effect, asking for contributions from the other bureaus in proportion to the value they are going to receive from this.

CONTRACTING OUT

Senator REID. That is all on that one subject. Thank you.

Recent reports have found that Federal agencies have been misusing the savings achieved through contracting out by returning them to their budgets without congressional approval.

In fact, I, along with a number of other Senators, have introduced legislation to stop that, that in effect when an agency or branch of the military decides to contract out, any of the savings that are achieved through that process would have to come back into the General Treasury of the Government.

How much contracting out has the Survey done?

Dr. PECK. Well, the major contracting out that we have done, Senator, is in several areas. One is computer operations, which is the largest A-76 activity we went through.

Earlier, we contracted out the operation of the photo lab in our Mapping Division in Denver, and recently we have contracted out, but not through A-76, the mailroom. We have also contracted out operations of our Mapping Information Center.

The savings from these totals about $1 million, but OMB, in its wisdom, anticipating that we would make savings, reduced our budget several times more than the actual savings.

Senator REID. You know, I think this is the first opportunity I have had to say anything publicly—and this does not reflect on your agency because it is a nationwide problem—that we have here something that is really being perpetuated on the public as being a great saving and it really isn't.

We contract out, as you have done, and the savings go back to the agency. In the end, these programs wind up costing more than had we not contracted out because not only do the agencies keep the money that they save, they also keep some of the employees they had that did those original jobs in the first place, plus they have the private contractor.

Dr. PECK. Of course, in our case, Senator, our budget was reduced in anticipation of those savings.

Senator REID. I understand that, but, see, the point is that now when you come back and other agencies, on paper contracting out is shown to have saved money, and I say that one of the reasons that contracting out is taking place is to do some of the smoke and mirrors that we are pretty good at ourselves, and you really don't save the country any money because I am certain that if we checked how much the original contract was, it, of course, was less than all the costs that were initially indicated that your own agency did.

But I will bet you that—and here we are talking about computers, photo lab, and I forget the other one that you mentioned.

Dr. PECK. Map information.

Senator REID. Yes; I am sure that you will find that the private contractors came back for more money than the original bid. They always do. That is part of the ballgame, you see.

Dr. PECK. There is a tendency through time for those contracts——

Senator REID. Yes; so it was only an opportunity for me to tell you and to have on the record how I think this contracting out is a sham in many instances. It certainly doesn't reflect upon you or your agency, but I just wanted to tell you how I feel about it.

Dr. PECK. Yes; I think in some instances, Senator, contracting out can be helpful. If you have large peaks in demand for activities, you can stabilize your work force at a more optimum level. There are cases where contracting out can draw upon expertise in the private sector that you don't have in the agency.

So I think in some cases contracting out makes sense.

Senator REID. One of the other games that is played is that you get rid of permanent employees with benefits. You know, in this country we have about 500,000 temporary employees. They get no benefits, and these temporary employees go on for years.

So this is all part of the problem that I see.

HIGH LEVEL NUCLEAR WASTE DISPOSAL

Let's get down to something that is closer to home, Yucca Mountain, NV.

The Geological Survey, of course, is currently involved in the search for an acceptable site for a geologic repository for high level radioactive waste. There's three sites under investigation—Yucca Mountain in Nevada, Deaf Smith in Texas, and Hanford in Washington.

The Geological Survey is involved in an extensive study of the Yucca Mountain site in the State of Nevada.

Are you involved on a scientific basis on the other two sites?

Dr. PECK. Yes, Senator; we are involved in several ways. For all three sites, we advise the Nuclear Regulatory Commission, which has the responsibility of licensing the sites, and we advise the Department of Energy on Earth science activities.

At each one of the specific sites our role is very different. We have a major role at Yucca Mountain investigating the majority of the geologic, hydrologic, and seismic aspects relative to the determination of the feasibility of the site.

Our role is much less at Hanford. Through the years we have done some seismic monitoring with DOE funds, some geologic mapping, some hydrologic studies, but at a rather low level. At the current time our role is primarily as an adviser on hydrologic matters.

Regarding the Deaf Smith site in Texas, since we have for years had one person at Battelle's headquarters in Columbus, OH, we are now planning to have one person at their new location at Hereford, TX, but we have very little involvement beyond that.

NEVADA NUCLEAR WASTE ACTIVITY

Senator REID. Why do you think there is so much more activity in Nevada than the other two sites?

Dr. PECK. Well, it is not that there is so much more of our activity at Nevada because our activity at the test site goes back to the late 1940's and early 1950's.

Senator REID. But let's limit this only to Yucca Mountain.

Dr. PECK. Yes; but we were very active at that Nevada test site because of the nuclear bomb—problems of containment of the nuclear explosions and the effect of those explosions on the water table.

We had a background of geologic and hydrologic information and a staff knowledgeable about the geology of the site. So it was natural to expand those studies to waste isolation.

So it is historic, and that is part of the reason.

Senator REID. The Yucca Mountain site has supposedly been chosen because of its dry geologic setting, and the proposal would place the nuclear waste in a secured—if, of course, there is any such thing—container above the water table.

Why is this preferable to placing the container below the water table?

Dr. PECK. Well, Senator, I will give a brief statement. Then I will ask Mr. Jim Devine, who is our Assistant Director for Engineering Geology who is very closely associated with that program, to amplify it.

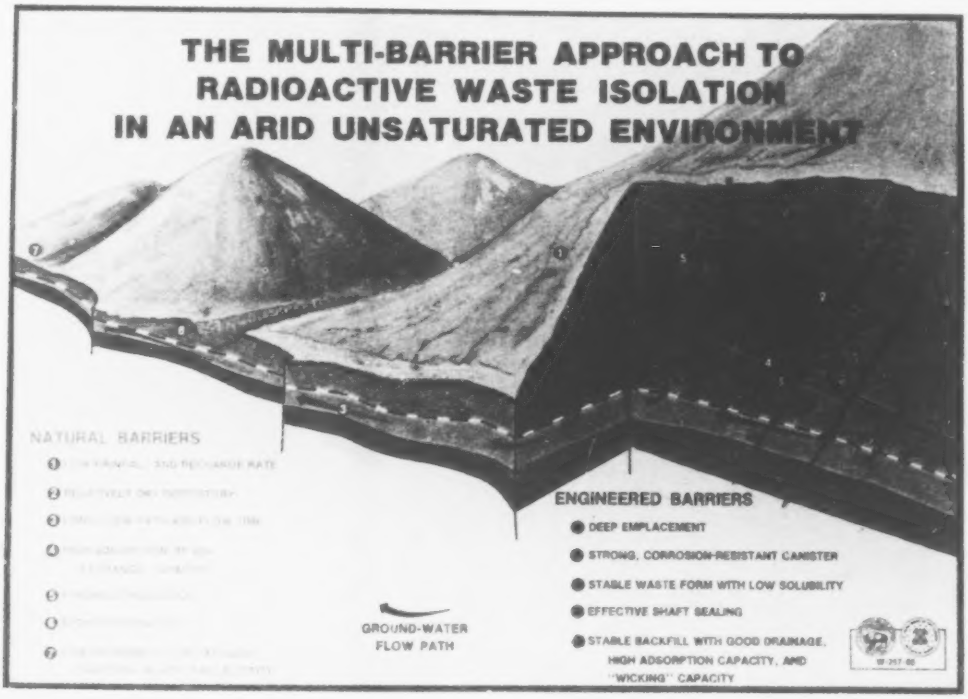
There is a lot of charm, at least theoretically, in considering a site in an arid region, a site above the water table because the flux of water through the site is very slight. The rainfall is low. Most of the rain fall either runs off or is evaporated. So that the annual flux of water across the site is probably no more than one-half an inch a year.

In addition, the water moves very slowly through much of the strata above and below the site because of its low permeability.

Furthermore, many or most of the radionuclides in the water from the site would be absorbed by zeolite in the older tuff below the site or exchanged with held water at rain boundaries.

All this ties in with our idea that in radioactive waste isolation one should employ multiple barriers, including the container of waste itself and natural barriers formed by the rocks that enclose the site.

We have a poster that illustrates conceptually this multibarrier approach to radioactive waste isolation.


THE MULTI-BARRIER APPROACH TO
RADIOACTIVE WASTE ISOLATION
IN AN ARID UNSATURATED ENVIRONMENT
NATURAL BARRIERS
GROUND-WATER FLOW PATH
ENGINEERED BARRIERS
DEEP EMPLACEMENT
STRONG, CORROSION-RESISTANT CANISTER
STABLE WASTE FORM WITH LOW SOLUBILITY
EFFECTIVE SHAFT SEALING
STABLE BACKFILL WITH GOOD DRAINAGE, HIGH ADSORPTION CAPACITY, AND "WICKING" CAPACITY

Senator Reid. And one further question, wouldn't the passage of rain water and recharged repository to the water table pose a threat of carrying the contaminants to the groundwater?

Dr. Peck. Yes; and part of our investigations, working with DOE, is to determine what the flux of material would be and how rapidly it would move.

My impression of our conclusions at the present time is that, because of the low rainfall, the low percolation into the rocks of water, the presence of zeolites and low permeability tops below the site, the movement of radionuclides would be very slow.

But, let me ask Mr. Devine to amplify.

Mr. DEVINE. Dr. Peck got the essence of the reason why that's attractive. And that is that there is low rainfall. And with the site being above the water table, there is a large amount of time consumed before rainwater passes by the facility to actually reach the water table. It's on the order of many hundreds of years.

So, having that additional time to get to the water table is an advantage over a site where the facility is located already within the water table.

Senator REID. Even if it's a few hundred years wouldn't it be safer to have the repository as far below the surface as possible? Even below the ground water?

Mr. DEVINE. If that were the only consideration, yes, it would be. But, the balance as being proposed at Yucca Mountain is basically splitting the difference between the surface and the water table. The farther above the water table you can be, the better off you are.

As opposed to as far below the surface you can be, the better off you are. So, it's basically splitting the difference between those two parameters, and that's about the horizon that's being proposed.

Now, I estimated a few hundred years for the travel. Actually, our tests would indicate the range goes from 1,000 to 80,000 years, all told, for the water to reach the surrounding water table beneath the site.

Senator REID. Senator Pressler, I've taken enough time. So I understand, you have a few questions and you're welcome to ask them at this time.

Senator PRESSLER. Thank you.

Senator REID. Why don't you stay there. We'll return to Yucca Mountain later.

EARTH RESOURCES OBSERVATION SYSTEMS DATA CENTER

Senator PRESSLER. Thank you very much for your thoughtfulness. And I very much appreciate a chance to make my opening statement, which pretty much reflects my views.

Dr. Peck, it's good to see you again. We've worked together on a number of issues over the years. And I appreciate your coming to South Dakota in May.

It's my honor to be the honorary chairman of the 11th Annual Pecora Symposium in Sioux Falls. I must say that we have announced with some pride that Mrs. Dole will be the keynote speaker. We have a Dole a Month Program in South Dakota. We get a Dole every month to visit, these days. [Laughter.]

And I'm very pleased with that because I'm supporting him strongly. But that's not the purpose of this hearing.

I understand also that, tomorrow, the Survey will testify before our Commerce Committee on the subject of earthquakes. So if you don't give me any tremors today, I promise you I won't drill you too hard tomorrow.

Dr. Peck, in my opening statement, I spoke of the EROS national and international reputation. For the record, could you give your honest assessment of the center's professional reputation and that of its employees?

Dr. PECK. A pleasure, Senator Pressler. I think you had an excellent opening statement regarding the prestige and competence of the center, the EROS Program and our Sioux Falls facility. It's certainly one of the leaders, if not the leader in the world, in both the processing of satellite data, particularly the research on applications of that data for Earth science and other needs, and their research on geographic information systems.

And they've worked very hard over the years in training Earth scientists and other scientists from all over the world.

So it's well-regarded all over the world as one of the leaders, and we're very proud of the center.

Senator PRESSLER. Would you describe the EROS Program as an important one? And could you elaborate for the committee on the significance of some of the work being done there?

Dr. PECK. The program is important because it gives us a new tool for exploration for petroleum and mineral resources and for delineation of the Earth's hazards, such as faults and landslides. The phematic mapper on the new Landsat–5 has become particularly valuable for mineral and exploration research; because in combination with the other spectral bands, you can identify iron-rich clay minerals, which are very common as an alteration product of the formation of ore deposits.

There's very widespread interest in the use of that data.

Senator PRESSLER. In just a few weeks we will install a new satellilte antenna for receiving weather data. But that I think adds to the center's importance in remote sensing.

Dr. PECK. Yes; that's the AVHRR. That's the closeup polar orbiter that they show on the weather programs in the evening sometimes. You can handle that data differently, as they're doing at Sioux Falls, and get a fairly good handle on such things as looking at soil moisture on a regional basis across the country.

EARTH RESOURCES OBSERVATION SYSTEMS PROGRAM REDUCTION

Senator PRESSLER. A $2 million cut in a $9 million program is obviously significant. I'm concerned that it jeopardizes the viability of the entire EROS Program because it will certainly impact some core activities.

In short, I do not believe there's a lot of wiggle room here before cuts of this sort could have long term, irrevocable effects, and jeopardize our world leadership in remote sensing.

My concern is accentuated by the current uncertainty in the Landsat program, although I'm increasingly hopeful that this issue will be worked out soon. And I might say as a member of the Commerce, Science, and Transportation Committee, I have done a great deal of work on that issue.

My question is, as a professional administrator, how serious do you believe this 20-percent cut is?

And would you agree we are in some danger of losing our traditional world leadership in this area unless the Landsat issue is resolved and the EROS Program remains as strong as it has been in the past?

What is your assessment of that?

Dr. PECK. Well, as you pointed out, Senator, a reduction of $2 million out of $9 million is a pretty healthy cut. But, we were faced with increased costs somewhat in excess of $30 million for covering pay raises, retirement, and rents.

So, in order to defray those additional costs at a time of constrained national budgets, we distributed cuts across many programs.

So, the cuts for the EROS programs fall into two parts. One is for handling the processing of data, and that again is about a 20- to 25-percent reduction. That's going to slow down appreciably the processing and distribution of data for nonemergency purposes.

The other $1 million is assessed against the program of applications research of EROS data and our cooperative programs with other Federal agencies in the application of that data.

What we'll have to do is restrict those efforts to the highest priority projects.

Senator PRESSLER. As I said in my opening statement, I understand the salary and compensation increases or requirements cause this within your agency.

But were there other programs comparable to EROS that had a parallel cut that was as large as $2 million out of $9 million?

Dr. PECK. Let me correct one thing. The total budget for the EROS Data Center is somewhat over $16 million, of which about $9 million is directly appropriated to the Survey. The remainder are funds from NOAA to cover the cost of processing and distributing the data.

Senator PRESSLER. But now the portion that's Geological Survey, as I understand it, is $9 million. The rest is NOAA.

Isn't that correct?

Dr. PECK. Yes; that's right.

Senator PRESSLER. So what we're really talking about is the $9 million Geological Survey money, that the $2 million is out of.

Is that correct?

Dr. PECK. Two million out of nine to the Survey, and other funds from NOAA. Also the sale of air photos generates over several million dollars.

Well, the Earthquake Program, Senator, another very important program, which is a budget of somewhat in excess of $30 million, is being cut about $4 million, over a 10-percent cut.

And that's a rather serious cut, too. The National Water Quality Assessment Program, which is an important new, emerging water quality program, has been cut from $7 million to $4 million.

So——

Senator PRESSLER. Say that one again?

Dr. PECK. The National Water Quality Assessment Program, the pilot phase of which we're carrying out now——

Senator PRESSLER. Has been cut in this budget from $7 to $4 million?

Dr. PECK. That's right.

Senator PRESSLER. So that's over a 20-percent cut then, isn't it?

Dr. PECK. Our Digital Cartography Program—and that's one of our really highest priority programs, because of the intense interest in digital cartography, in part because of applications pioneered by the EROS Data Center—has been cut by $1 million. Simply to distribute these additional expenses broadly across the Survey.

Senator PRESSLER. Well, you know, maybe my arithmetic is wrong here, but the 20-percent cut in EROS is the highest of any of the cuts, isn't it? Even the water resources thing. That wouldn't be a 20-percent cut, would it?

Dr. PECK. It's just how you categorize the budget. But $3 million out of $7 million is a pretty good cut.

Senator PRESSLER. But that's less than—no, it's more. All right. I guess that my great statistical argument here has suffered some but my point is that the EROS Program is being cut disproportionately compared to the overall agency cut.

Dr. PECK. But, $2 million out of $9 million is a very heavy cut, Senator.

OTHER PROPOSED PROGRAM REDUCTIONS

Senator PRESSLER. And what other programs parallel that? You know, you've mentioned the water resources. And you've mentioned the Earthquake Program. What other?

Dr. PECK. One program was indeed affected even more severely. That's $1.5 million for the Synthetic Aperture Radar Program, SLAR Program, a favorite program of Congressman Regula which was zeroed out.

That was a 100-percent cut.

Senator PRESSLER. Yes; but it's been zeroed out almost every year, but it's been put back in. Is that not correct? [Laughter.]

OK. I have some additional questions for the record. I thank you very much.

YUCCA MOUNTAIN AND NEVADA TEST SITE

Senator REID. Thank you, Senator Pressler.

We're going to go back now to Yucca Mountain. What about earthquake activity? Previous seismic activity has been measured in this area on several occasions.

Have there been studies conducted by you to determine any effects that nuclear testing has had on earthquake potential in this region?

Dr. PECK. Yes; we've been carrying out earthquake studies in southern Nevada in the test site area for several decades. And there have been instances of earthquakes, natural earthquakes that occurred in response to stresses from underground nuclear explosion.

Senator REID. Have we had earthquakes not related to underground explosions?

Dr. PECK. Oh, yes. It's a natural seismic area. Now, at Yucca Mountain itself, and in the immediate vicinity of Yucca Mountain, there are no currently active faults and the seismicity is very, very low at the site.

Senator REID. What about the fact some people have complained about Yucca Mountain being adjacent to the Nevada test site, where these huge bombs are set off all the time? It would seem to me that the bombs would cause more activity around the Yucca Mountain site, and might cause problems with the hole that's being dug there.

Dr. PECK. The bombs do cause some ground motion at the site. And any installation at that site would have to be engineered strong enough, built strong enough to——

Senator REID. But do you think that's possible?

Dr. PECK. I think the motion at the site from the underground explosions is very small. But let me ask Mr. Devine to speak about that.

Mr. DEVINE. I think there are several issues here, Mr. Chairman. One, the amount of energy released by the underground tests is relatively small compared to a large earthquake and the amount of energy released.

Consequently, the design of a facility at Yucca Mountain to withstand a natural earthquake—and that will indeed be part of its design—would be far in excess of the energy or the ground motion that would be generated by the testing, the nuclear testing itself.

Second, the record so far, even with tests when they were much larger than allowed today, has been that any sympathetic earthquakes generated as a result of the underground testing have been relatively small.

So there's no data bank that would indicate that underground testing could trigger very large earthquakes.

Senator REID. You still out there? [Laughter.]

[TV crews turning off the lights.]

Mr. DEVINE. I can see you much better, sir.

Consequently, it's generally believed, and it's my personal opinion that the testing at the test site, certainly under the limits of today's agreements, would not cause any significant negative reaction at the Yucca Mountain site.

Senator REID. You know, this is part of the problem that we have in Nevada, of course. The test are 100 miles from Las Vegas, approximately. And we're always told when those are announced that we should stay off any high buildings and understand that there's going to be motion if you're on top of the building.

When I was there, I had an office in a relatively small building. But, gee, that thing would shake so bad, it would frighten you a lot if you didn't stop and think, I wonder why this building's moving like this. And it was because of an underground nuclear explosion.

And for you to come here and tell us that there are earthquakes that are stronger, of course earthquakes are stronger, but that doesn't mean these nuclear explosions don't really rock things around.

Mr. DEVINE. I would agree they do. And I've been on top of some of the tall buildings in Las Vegas when the very large tests were being put off. As I say, I know what that experience is firsthand.

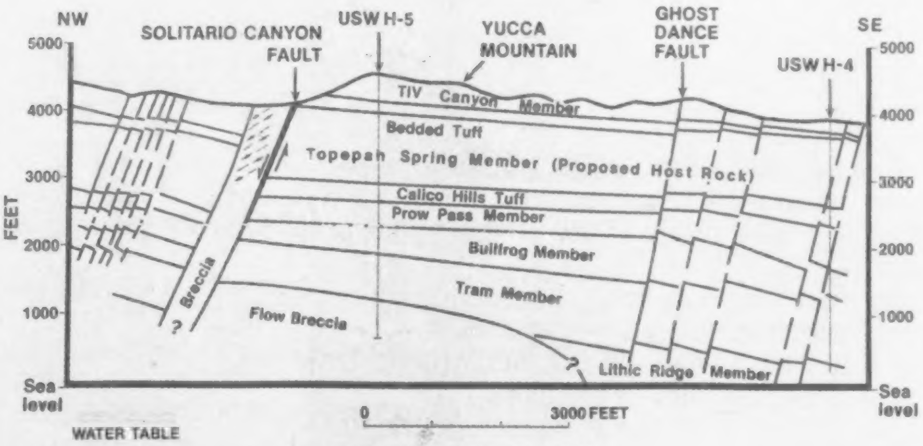
But, underground facilities have much, much greater ability to respond to ground motion than tall structures.

The tops of tall structures sway quite a bit more than any facility underground would by a large amount. So that's why I could say that the underground facility would not experience ground motion anywhere near that which you can describe on the top of one of the hotels in Las Vegas.

Senator REID. I know everyone's in a hurry here, but someone had to have spent a lot of time on that chart.

Candidate Sites for Disposal of High Level Radioactive Waste

YUCCA MOUNTAIN SITE


NW
SOLITARIO CANYON FAULT
USW H-5
YUCCA MOUNTAIN
GHOST DANCE FAULT
SE
USW H-4
5000
4000
3000
2000
1000
Sea level
FEET
TIV Canyon Member
Bedded Tuff
Topepah Spring Member (Proposed Host Rock)
Calico Hills Tuff
Prow Pass Member
Bullfrog Member
Tram Member
Flow Breccia
Breccia
?
Lithic Ridge Member
0
3000 FEET
WATER TABLE

Generalized Geologic Section

Mr. DEVINE. Yes.

Senator REID. And I wonder if someone could tell us what it is.

Mr. DEVINE. Yes; the main purpose for that board, Mr. Chairman, is to give you a general idea of what the geology of the region is, along with where the proposed facility would be relative to the water table.

As you see midway in the graph, the dotted blue line is the height of the water table as it is today.

Senator REID. How much below the surface is that, approximately?

Mr. DEVINE. It's about 2,000 feet. And the proposed horizon you see in red, where it says "proposed host rock," that's the Topopa Springs member welded tuffs.

The facility would be toward the bottom of that member. Therefore, it's roughly midway between the surface of the ground and the water table.

And the chart also would give you some idea of the amount of faulting that's in the region. You see the Solitariol Canyon Fault to the west. And the Ghost Dance Fault, which probably would be the one nearest the facility when it's built—when it's sited.

These structures indeed have had earthquake activity in the past, but they don't appear to be capable of generating earthquakes as defined by the Nuclear Regulatory Commission.

The nearest zone termed capable is many miles to the north, the Walker Lane zone. But this gives you the general picture that it is indeed well above the water table, well below the surface of the ground and in between any known faults.

Senator REID. What do you mean by member. You've got Bull Frog member, Bonapa Spring member. What's that mean?

Mr. DEVINE. Yes; all these horizons are basically volcanic tuffs. And each member represents a different era of eruption of material when it was being laid down.

Dr. PECK. A geology tuff, Mr. Chairman. Geologists like to name rock units formations. Then, when they figure out the formation is made up of several different units, they call that a member, a member of a formation.

Senator REID. Tell me. It would appear then that one of the main reasons this site has been selected is because of the water.

Is that right?

Mr. DEVINE. That's one of the reasons, yes. Well, the other reasons are due to the geology itself.

Senator REID. Is there a geology like this any place else in the country?

Mr. DEVINE. Yes; there are volcanic tuffs elsewhere in the country.

Senator REID. I'll bet they're not located next to a bomb site.

Mr. DEVINE. No.

Senator REID. An atomic bomb site.

Mr. DEVINE. No; they're not, Mr. Chairman. It is unique to have this amount——

Senator REID. Well, where are some of those other sites?

Mr. DEVINE. Well, I'll let my——

Dr. PECK. Throughout the Great Basin, Mr. Chairman, the widespread areas of ash flows that were erupted some 5 to 50 million years ago, that rock is very similar to this. They were erupted high in the air and then they kind-of flowed out. And they were so hot, they sort of welded themselves together.

And they're interspersed with ash flow, ash fault tops. These are pretty widespread throughout Nevada and western Utah. In addition, throughout the Great Basin, there are broad areas of valleys where the water table is well below the alluvium, the surface of the alluvium. So that also would be an area where you could put radioactive waste above the water table but well below the ground surface.

Senator REID. As you know, I've opposed the location of the nuclear waste repository in Nevada. When will the results of your studies be completed in regard to Yucca Mountain and this area?

Mr. DEVINE. Well, many of our studies are long term in nature. For example, the seismic monitoring will go on virtually for the life of the facility. Many of the other studies are short term.

However, the termination or the schedule set for development of the geologic and hydrologic information is really set by the Department of Energy, Office of Civilian Rad Waste Management. And their published schedule would have sufficient information in order to obtain a license to start construction by 1998.

So, up until that time, geologic and hydrologic information that's applicable would still be acquired and entered into the system for consideration.

Senator REID. The information you are gathering then is given to the Department of Energy?

Mr. DEVINE. Yes; it is.

Senator REID. Have you been asked to make a decision as to whether or not this site or the other two sites would be a safe place for storing nuclear waste?

Mr. DEVINE. No, Mr. Chairman; we don't get asked that question in those terms.

Senator REID. You're very fortunate.

Do you, based upon the information within your personal knowledge, is it possible that all three sites could be found not to be a suitable place for locating geologically nuclear waste?

Mr. DEVINE. Yes; it is possible.

Senator REID. Do you know, does your expertise give you any knowledge as to how long you could store nuclear waste above ground? In fact, the way they're doing it now in water?

Dr. PECK. Yes; actually, if one is storing radioactive waste above ground, one could store it indefinitely, although one has to manage and supervise it so that somebody doesn't come and disturb it.

Senator REID. Do you know how long it takes nuclear waste to cool? I understand it's a long time.

Dr. PECK. Yes; as I recall, it's an asymetric cooling, so the temperature drops rather quickly the first year or the first 10 years, and then slowly continues to cool over many decades.

Senator REID. Would storage in a damp environment cause it to cool any more quickly?

Dr. PECK. My impression is no, that it would not. The heat is caused by radionuclides.

Senator REID. I understand. And, conversely, it being stored in a relatively hot area wouldn't make it any hotter, huh? OK.

Dr. PECK. No.

Senator REID. This waste stored above ground, is it possible can it explode?

Dr. PECK. No.

Senator REID. That's where we should leave it then, huh? [Laughter.]

I guess that's enough on nuclear waste. Got my point.

Dr. PECK. Yes, Senator.

POTENTIAL FOR MINERAL RESOURCES

Senator REID. The Survey is involved in an ongoing program of evaluating mineral potential in Bureau of Land Management land, specifically Bureau of Land Management wilderness study areas.

And this covers 11 Western States, as I understand it. Mineral resource assessments of the Tonapa 2 degree quandrangle indicate that there is a high potential for gold, silver deposits, hot spring-type gold deposits, other types of gold, silver veins.

On the other hand, the Lamadrie Mountain Wilderness, the study area has shown low potential for silver, lead, zinc, gympsum, oil, and gas resources.

Would you be kind enough to update the committee on the overall mineral potential of Nevada based on recent studies, if you have any information on that?

Dr. PECK. Yes, Senator; we have a number of different mineral assessment programs. One, over several years, has been the study of the mineral potential of proposed wilderness areas, of land managed by both the Forest Service and BLM.

At the present time, we're studying the BLM areas which tend to be rather small areas.

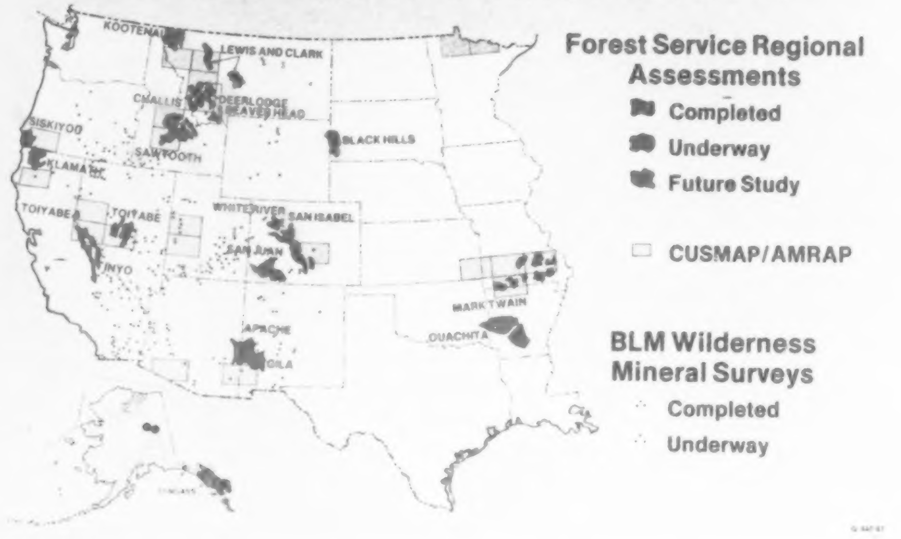
In addition to that, we carry out systematic studies of the geology and mineral resource potential of 2 degree quadrangles, large areas; the grayish rectangles on that poster represent these 2 degree areas.

And, in addition, in Nevada, we've had a long and very cordial relationship with the Nevada Bureau of Mines and Geology. John Schilling is a very competent director of that organization and a long-time friend of mine.

So some of these things are cooperative projects with that organization. Nevada has enormous mineral wealth and a great potential for gold deposits, which is an area of primary interest to the mining industry at this stage, including sort of low grade disbursed gold deposits in sedimentary rocks, like the Cortez and Carlyn deposits, which were found following some of our ideas and exploration in synthesis several decades ago.

As far as the details of the findings in the Reno quandrangle and the Tonapa quadrangle, I'm going to let the Acting Chief Geologist, Dr. Benjamin Morgan speak on the matter.

MINERAL RESOURCES OF PUBLIC LANDS
FOREST SERVICE REGIONAL ASSESSMENTS
BLM WILDERNESS MINERAL SURVEYS


KOOTENAI
LEWIS AND CLARK
CHALLIS
DEERLODGE
BEAVERHEAD
SISKIYOU
SAWTOOTH
KLAMATH
BLACK HILLS
TOIYABE
TOIYABE
WHITE RIVER
SAN ISABEL
SAN JUAN
INYO
MARK TWAIN
OUACHITA
APACHE
GILA
Forest Service Regional Assessments
Completed
Underway
Future Study
CUSMAP/AMRAP
BLM Wilderness Mineral Surveys
Completed
Underway

Dr. MORGAN. I think Dr. Peck has already summarized pretty much what we have determined in Nevada. Nevada, of course, is very blessed with an incredible mineral endowment. The Comstock lode which is in the Reno quadrangle, was famous in the 19th century.

In the 20th century, we have done a number of research projects which have helped industry to define the new type of gold deposit that Dr. Peck referred to, which is the Carlin mineral type deposit. This is a disseminated, very fine grain of gold deposit, so fine grained, in fact, that one doesn't even recognize it as a sample of gold ore when one holds a sample of the rock in hand.

The principal interest that we have in Nevada, however, is because the State is broken into a series of mountain ranges and valleys, the basin and range province, all of the mineral deposits come from the mountains where the older rocks are exposed.

There are vast areas of the State which are covered by alluvium and covered by rubble washed down from the mountain sides for which we have no mineral information at all.

And, thus, the State has a terrific potential for mineral resources which are buried in the alluvium in the basins.

Senator REID. One of the questions that comes up all the time is whether or not the U.S. Geological Survey has the equipment and scientific know-how to determine if an area has mineral potential.

Do you have that capability?

Dr. MORGAN. Yes; we do. We have an ongoing program in our Office of Mineral Resources which seeks to look and to obtain mineral resource assessments of areas as indicated by Dr. Peck in a variety of formats.

STRATEGIC AND CRITICAL MINERALS

Senator REID. I understand that there are plans for investigations for concealed deposits of strategic and critical minerals and precious metals in the Great Basin, and in the basin and range province of Nevada and Arizona.

Is study of this area outside the parameters of the BLM wilderness study areas? And what leads you to believe there are mineral deposits in the basin and range province?

Dr. MORGAN. Well, many of the BLM wilderness areas, of course, were chosen using criteria which would eliminate known mineral deposits from study. And so that many of the BLM wildernes areas are, in fact, outside some of the more promising areas that we know of.

We are very excited in trying to develop a program of airborne geophysics studies in the basin and range, and of detailed chemical analyses of the area in order to determine what the potential is for mineral deposits in these buried areas.

We're also working very closely right now with the Bureau of Mines to develop an overall mineral assessment of the entire State of Nevada. And that's a project which is just beginning in this fiscal year.

Senator REID. Well, how long will that take?

Dr. PECK. Typically, in our program, Senator——

Senator REID. I'm sorry. How long will that program take?

Dr. MORGAN. I've not quite fleshed that out. Normally, that type of project would be on the order of 1 to 2 years. But that's generalistic.

Dr. PECK. In our mineral resource programs, we carry out regional studies and studies of the genesis of deposits and techniques for exploring for the deposits.

So we end up with new techniques, new concepts of deposits and some identified favorable targets.

We don't go through the next step. The next step is for private industry to take, and that is actually to do very detailed mapping, geochemical sampling, geophysical studies, and drilling to see, indeed, if there is an ore deposit there.

GEOTHERMAL PROGRAM

Senator REID. The Geothermal Investigations Program is an area of great interest to Nevada; with four geothermal powerplants now, we're the second largest geothermal producing State, behind California.

The development of this alternative energy resource is especially important as we search for ways to diversify our energy resources and sources.

The request for fiscal year 1988 is for $5,472,000, a reduction of about $700,000. According to your justification, this will slow research efforts in an understanding of thermal regions in the Earth's crust to the development of models of volcanic processes.

What does that mean?

You're short of money?

Dr. PECK. That means that this program, like many others, including the EROS Program, was cut in the proposed fiscal 1988 budget.

This is a program that looks at geothermal energy. And much of the geothermal energy is related to volcanos or volcanic rocks underneath the ground.

So, our geothermal program is very closely related to the Volcano Hazards Program. Our earliest work in geothermal energy actually was undertaken in Nevada at Steamboat Springs by Dr. Don White, who we refer to as the Father of Geothermal Energy.

Senator REID. Wasn't hard to find. You could just see it.

Dr. PECK. That's right. But, also, you can study it and learn a lot about how it occurs and how you can identify hot water, even if it's cooled when it gets to the surface, because of the chemicals that it carries.

Much of our work is in the Cascade Range in Oregon where there's probably a high geothermal potential, but it's hard to evaluate and identify promising targets because of the heavy rainfall and the layer of cold rainwater in the ground water, from rainwater at the surface of the Cascades.

We hope, in time, working with the Department of Energy, to do enough drilling to be able to identify that resource and see whether it's worth exploiting.

Senator REID. Is there geothermal research now being done by you in Nevada?

Dr. PECK. Yes; I think there's still some research at Steamboat Springs, but let me ask Dr. Morgan to answer.

Dr. MORGAN. We're doing analysis of aeromagnetic and gravity studies in the State, particularly in relationship to geothermal energy. We're doing hydrothermal activity studies at Biwawi, which is one of your active plants. And we're doing geothermal hydrology in the Southern Grass Valley and the Carson Area.

We think that the State of Nevada has a great potential for further utilization of geothermal energy.

Senator REID. Are there any new applications for geothermal energy use?

Dr. PECK. One of the promising developments over the last 10 or 20 years, has been the development of binary systems, which means using a transfer fluid like a refrigerant, to transfer the heat from hot or warm geothermal fluids in order to drive a turbine.

This was first applied on a pilot basis in the Imperial Valley and is now being used in Nevada, I think perhaps two of those sites are in Nevada.

One of its charms is that it lends itself to small powerplants to satisfy local needs for electric power. It also avoids the contamination of turbines and other equipment by corrosive natural steam.

Senator REID. I have taken a lot of time. I still have a few more questions.

Senator Pressler, do you have anything, any questions or any statements you'd like to make? You've been here patiently waiting a long time?

SENATOR PRESSLER SUMMARY

Senator PRESSLER. I've been listening with fascination to the very able way you have conducted this hearing.

Let me say in departing, and I have to go to a meeting with some constituents, but let me say that I very much appreciate this committee's consideration.

On these budget cuts, I have observed in 13 years in the House and Senate that, sometimes, whether it's the SLAR Radar Program, or whatever it is, some agencies will cut something out knowing that there's enough political activity that it will get restored, and not cut something else that might not be restored.

I hope that is not the case with the EROS Data Center. But it is something that I am concerned about. But I do intend to work with my colleague, Senator Daschle, very closely here in the Senate, and with our Congressman on this matter.

And I appreciate the committee's willingness to hear it.

Thank you.

NATIONAL GEOLOGIC MAPPING PROGRAM

Senator REID. Thank you very much, Senator Pressler. I appreciate your attending this hearing.

Dr. Peck, the Federal-State Cooperative and Geologic Mapping Program is a high-priority program according to your statement.

The fiscal year 1988 request, however, is $500,000 less than last year. It's a cut of one-third.

Dr. PECK. Thirty-three percent.

Senator REID. Has this program been valuable in revealing mineral and energy information previously undiscovered in any State?

Dr. PECK. Yes, Mr. Chairman; it has. It's an excellent program, and a program that I hope will grow over the years, because it involves the cooperative planning and execution of geologic mapping programs, the USGS working very closely with the State surveys.

The COGEOMAP map projects I think in both Illinois and Texas revealed undiscovered deposits, coal reserves of——

Senator REID. Of coal, you say?

Dr. PECK. Coal reserves in Illinois and metal deposits, or targets in Texas. In early cooperative project, a very large project with the State of Kentucky that we undertook and ended up mapping the whole State as a 50–50 cooperative program revealed very large reserves of coal.

That had been missed as a result of miscorrelation of coal bits.

Senator REID. Nevada contributed $21,000 to this program in 1986, and $46,000 in 1987. The Geological Survey both years contributed less.

What was accomplished for Nevada by this? Which are large sums of money for a small State like Nevada.

Dr. Peck. A State with very major metal resources and potential, Mr. Chairman.

I think the studies under that program in Nevada were cooperative geologic mapping projects in the Reno area, in part aimed at the urban geology; the identification of aggregate landslides and other geologic hazards in the Reno area; and background geologic information for recreational areas.

We've had a long and cordial cooperative program with the Nevada bureau, which, over the years, has produced a lot of valuable geologic information, I think led to the discovery of many ore deposits.

CARSON SINK AREA

Senator Reid. Making a lot of press recently in Nevada has been the Carson Sink Area, where millions of fish have died and thousands of birds have died.

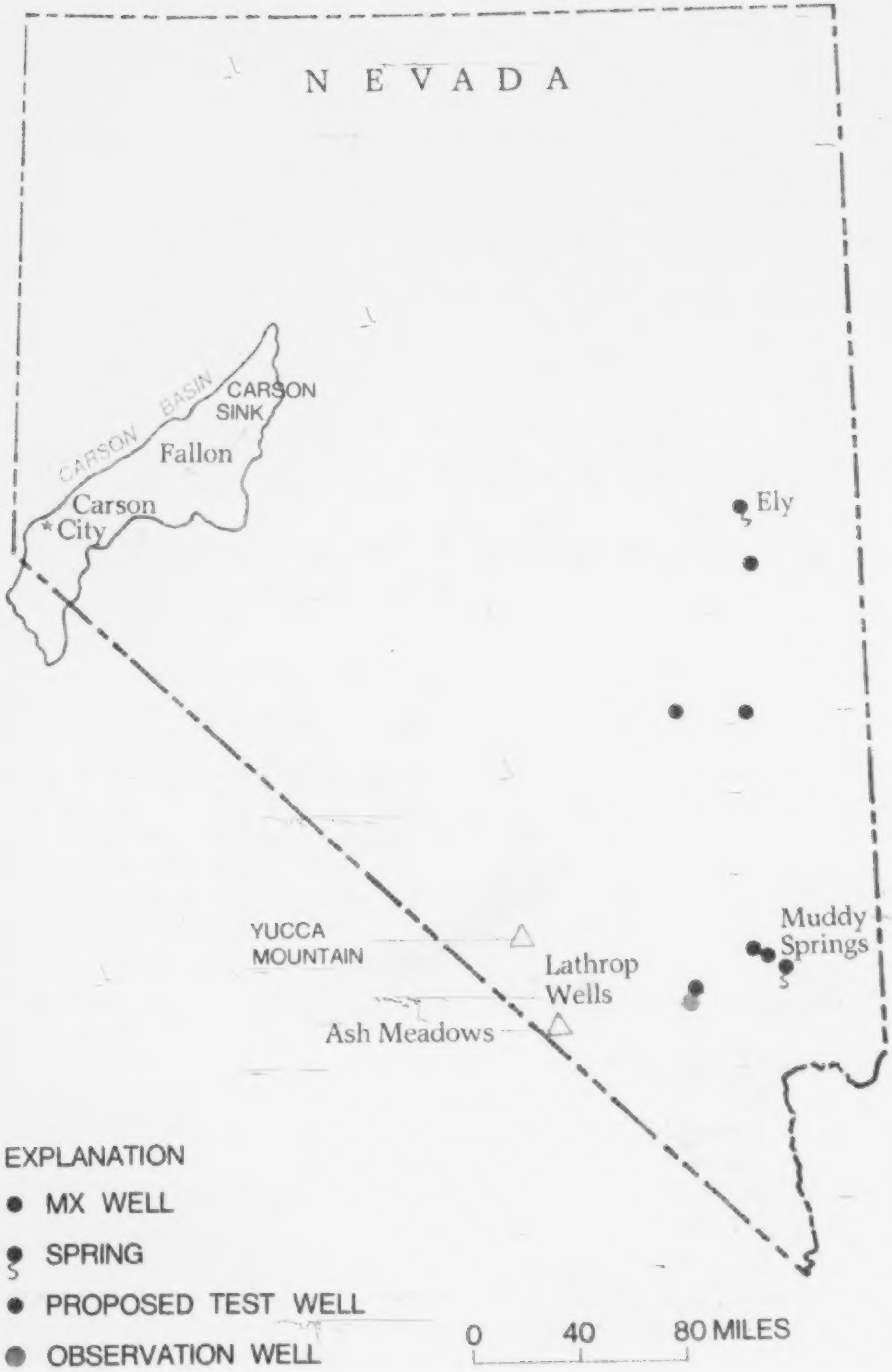
Has the Survey been called upon to look at this at all?

Dr. Peck. We've been involved in irrigation return flow in a number of different areas. And at many of those areas, we've done some sampling of the water and performed some chemical analyses working in cooperation with the Fish and Wildlife Service and the Bureau of Reclamation.

The map of Nevada that's on the poster there shows one of our three ground water—national water quality assessment pilot projects, which is the Carson Valley, and includes the Fallon Area in the Carson Sink.

We're just starting that project. Let me ask Mr. Philip Cohen, the Chief Hydrologist, to address this.

Mr. Cohen started his career as a hydrologist in Nevada, spent 8 years there doing ground water studies in Nevada.


N E V A D A
CARSON BASIN
CARSON SINK
Fallon
Carson City
Ely
Muddy Springs
YUCCA MOUNTAIN
Lathrop Wells
Ash Meadows
EXPLANATION
● MX WELL
SPRING
● PROPOSED TEST WELL
● OBSERVATION WELL
0
40
80 MILES

Senator REID. Has he ever been to Search Light? Have been?

Mr. COHEN. I have.

Senator REID. That's great. You qualify then. [Laughter.]

Mr. COHEN. Except to the extent that age has begun to diminish some of the memories.

Your question spoke directly to the impacts on wildlife in the Carson Sink. That issue relates largely to the fact that, in 1984 and 1985, Nevada and other parts of the West experienced very, very heavy runoff. The Colorado River, for example, was in major flood. Great Salt Lake was at or near record-high levels.

The Humbolt River, the Carson River, and the Truckee River were all in flood. And it was a rather unique occurrence. It hadn't happened for many hundreds of years, where they all spilled to the ultimate sink of those three rivers, and that was the Truckee River and the Carson Sink.

So there was a great deal of inflow to Pyramid Lake, which normally doesn't occur, as a result of the diversion dam east of Reno.

So, the normally dry lake became a lake once again. Fish that were in the canals and rivers moved into the lake. They propagated. There was very heavy fish reproduction, and then things began to dry up.

And the Carson Sink is going back to the Carson Sink that we've all known, a dry playa. As it begins to shrink it becomes more and more saline.

Probably, that very dramatic fish kill that occurred was because the water was getting saline to the point where the fish were in deep trouble. And there was a deep freeze. That, again, caused the formation of ice on the surface of the lake further removing fresh water from the system and the fish just turned belly-up.

This is something that occurs periodically as part of the natural hydrologic system of Nevada.

I'm told that the bird situation probably was unrelated. Bird deaths were probably related to avian cholera. But this is hearsay. We have not done any direct work.

There is some speculation that the birds may have been weakened as a result of being in an environment of highly saline water and, therefore, more susceptible to avian cholera.

Senator REID. We've been told that one of the problems with the Carson area is old mining with mercury in the water. Do you have any indication that that is or is not the case?

Mr. COHEN. Yes; there is a lot of mercury in the Truckee River, in large part related to the——

Senator REID. Where did that come from? Mills?

Mr. COHEN. Yes; the old mills that are along Highway 40 that used to process gold. The mercury was used to——

Senator REID. And it just won't ever go away? Is that the problem?

Mr. COHEN. It moves very slowly through the system. And the sink—the sinks of the system are Pyramid Lake on the one hand, and now a good part of the Truckee River is diverted over into the Fallon Area.

And those metals are moving very slowly into the Fallon Area, as well as into Pyramid Lake.

Then, another series of problems that are associated with the entire Carson Valley, and one of the reasons we selected that area as a pilot study, is that there are some irrigation return flow problems associated with the irrigation project in the Fallon Area.

There are natural salts associated with those sediments. And those salts are gradually leached out as a result of the irrigation. Some of the salts, boron, for example, can be quite toxic to plants. There are small amounts of selenium, and the ground water in the Fallon Area has long been known to contain fairly high levels of arsenic. Probably associated with the general mineralization situation in Nevada.

So, selecting a well for public water supply has been and continues to be, a challenge to the Fallon Area because you can get into problems with arsenic.

Senator REID. Dr. Peck, thank you very much, you and your associates, for your testimony today.

ADDITIONAL COMMITTEE QUESTIONS

We'll have some additional questions. Senator Daschle has indicated that he wanted to make a statement, and he will. It will be made part of the record. And submit some written questions, as will other members. He's not a member of this subcommittee, but he has asked special permission to do that.

Other members of the subcommittee will have questions in writing that will be submitted. We'd appreciate your getting the answers to the subcommittee as quickly as you can.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

BUDGET REDUCTIONS

In FY 1987 the Survey is expected to absorb $6,072,000 to cover the required 3% pay raise, and an estimated $5,859,000 for the new Federal Employee Retirement System. The Administration has directed the GS to absorb these costs from Congressional add-ons.

Question: Of these specific reductions, which programs would you consider it crucial to be funded at the enacted level, and why? As you know, the Senate is required to come up with offsets for any funding above the enacted level for the FY 1987 Supplemental. Can you come up with any offsets for the current year within your FY 1987 budget?

Answer: The reprogramming proposal reflects the overriding priority of reducing the Federal deficit and all the proposed programmatic reductions are required offsets to meet this need. The Geological Survey can redirect $753,000 from amounts appropriated for reimbursements to the Department of Labor and $900,000 for administration of Water Institutes for a total offset of $1,653,000 with no programmatic impact due to revised estimates for these two activities.

In FY 1988 your pay increase, the new retirement system costs, and increased rent to GSA total $30,785,000. Therefore, in effect, you are proposing a $30.8 million programmatic reduction. According to the justification, these reductions again will come from specific programs rather than taking them from across the board.

Question: Assuming that you have had the flexibility to protect certain programs, would an across the board cut of $30 million be preferable, in terms of achieving the goals of the various programs within the GS, rather than taking specific programmatic reductions?

Answer: The Geological Survey would prefer to take the $30.8 million reduction as proposed in the budget as opposed to implementing an across the board cut. Many of these proposed FY 1988 reductions are consistent with the reprogramming proposed for FY 1987 to fund the increased pay and retirement costs.

ALTERNATIVE NUCLEAR WASTE REPOSITORY

Recently, Senator Johnston and Senator McClure introduced legislation proposing to award any State or Indian Reservation that would accept the placement of the nuclear waste repository within it's boundary. I vehemently oppose this form of bribery under these circumstances where ultimate scientific consensus is required for the safety of the entire nation. This would result in a hasty decision in a situation where time is the only thing we have going for us.

Question: What is the Survey's reaction to this proposal?

Answer: The provisions of S.839 fall outside the responsibilities and expertise of the Geological Survey and we therefore have no substantive reaction. We would assume however, that all necessary safety and environmental concerns would be addressed as part of the licensing process.

ALASKA NATIONAL WILDLIFE REFUGE

On Monday, the Secretary announced his decision to open the coastal plain of the Alaska National Wildlife Refuge to exploration for oil and gas.

Question: The Survey was responsible for estimating the energy potential of this area. Please apprise the Subcommittee of your findings.

Answer: The in-place oil and gas assessments represent the resource base without reference to recoverability. The in-place oil and gas resources contained in the 1002 area of the Alaska National Wildlife Refuge are estimated by the Geological Survey to range from 4.8 billion to 29.4 billion barrels (BBO) of oil, and from 11.5 trillion to 64.5 trillion cubic feet (TCFG) of natural gas at the 0.95 and 0.05 probability levels (plus or minus 5 percent), respectively. The average of the in-place estimates for the 1002 area are calculated to be 13.8 BBO and 31.3 TCFG.

Question: Would you agree then, that this area is potentially one of the richest energy sources within the boundaries of the United States?

Answer: Yes, we would agree. Based on the eastward extension of producing trends from Prudhoe Bay and the sizes of the mapped prospects, the 1002 area is the most significant untested area in the onshore United States with a potential for having multi-million to billion barrel size fields .

Question: How has technology relating to the protection of an arctic environment improved since exploration and drilling in the Alaska Naval Petroleum Reserve during World War II? Prudhoe Bay?

Answer: Little was known of the sensitive characteristics of the arctic environment during the early petroleum exploration and development of the North Slope of Alaska. Consequently, these early activities during and prior to WW II were recorded as causing relatively permanent effects such as scars on the landscape in the arctic habitat. Since that time, these effects provided a basis for the development of a technology by the Survey, the Bureau of Land Management (BLM), and industry that would minimize the environmental impact. Many new technological innovations came about as a result of meeting National Environmental Protection Act (NEPA) requirements associated with the design and construction of pipelines, drill sites, and transportation systems. A significant example of improved technology for environmental protection is the use of ice in the construction of temporary roads and airstrips. The airstrips and roads are used only during the winter and after melting in summer leave little or no visible evidence on the tundra. Also, special drilling pads have been designed to prevent the heat loss that would otherwise damage the tundra and destroy the permafrost. Essentially, technology is continuing to improve by recognizing the effects of exploration and development activities on a sensitive arctic environment and by finding methods for accomplishment of these activities with minimal or no impact on the arctic environment.

MINERAL RESOURCE SURVEYS

Last month a map was presented which revealed mineral deposits in the Appalachian Mountains region that could aid mineral companies in exploring for additional deposits. These mineral deposits are identified in 17 eastern states including West Virginia.

Question: What new mineral deposits were found in West Virginia? Would it be possible to provide the Committee with a copy of this map? (not yet published)

Answer: No new mineral deposits were found in West Virginia, although areas considered favorable for the occurrence of lead, zinc, barite, and co-product silver were identified parallel to the Appalachian Mountains in nearby States. A copy of the map was provided to the West Virginia State Geologist for his comments and review. A draft copy of this map along with comments from the West Virginia State Geologist has been provided to the Committee along with these answers.

NATIONAL MAPPING PROGRAM

In FY 1987 the Primary Mapping and Revision program was cut $4.37 million or -12%. Hardest hit was new mapping which delayed completion of first-time national coverage of the United States until 1989.

Question: How much is requested for new mapping in FY 1988? Will this further delay completion of national coverage?

Answer: Of the $36.5 million requested for FY 1988 for the entire item "Primary Mapping and Revision," we estimate that $15.0 million will be spent on new mapping. This amount should allow completion of initial national coverage by 1990.

The National Mapping Program toes a fine line when it comes to the rate of map production. If the GS does not meet mapping demands of State agencies, federal agencies, and private interests, then other interested parties will, thereby defeating the purpose of a central nationwide mapping agency.

Question: In the case of Primary New Mapping, has any time been made up?

Answer: We are continuing to publish provisional editions of some primary maps as an expedient for providing once-over coverage of the Nation; however, no significant change in the completion schedule has occurred.

Question: When do you project that the goal of mapping the entire United States will be accomplished?

Answer: 1990 is still the target date for initial national coverage at 1:24,000 scale.

Question: Exactly how far behind schedule is this date?

Answer: In 1980, a program to expedite initial primary map coverage at 1:24,000 scale was implemented, with the objective of completing that coverage in the late 1980's. Recently, the completion has slipped 1 year, due to the FY 1986 G-R-H reductions.

Question: What is your current assessment of outside interests, or other Departments or agencies producing maps that the Geological Survey was unable to produce fast enough to meet the need?

Answer: No significant basic mapping is accomplished that is not monitored or agreed to by USGS. There maybe some special maps produced as a consequence of our not meeting all needs. Several Federal and State agencies digitize USGS maps because we cannot readily meet their need for digital cartographic data.

BUREAU OF THE CENSUS

The Geological Survey has spent the past 3 years conducting a "crash" mapping program at the 1:100,000 scale for the Census Bureau. Reports to date indicate that this effort is proceeding quite successfully.

Question: When will this project be completed?

Answer: In June 1987, we will have delivered the requested transportation and hydrography data to the Census Bureau.

Question: How much is the Census Bureau paying the Survey to accomplish this massive mapping job?

Answer: In FY 1983 and 1984, the Census Bureau transferred a total of $1.5M to USGS to expedite the production of graphics to be digitized and to purchase the additional hardware and software to support the effort. The Census Bureau has also shared the workload during the conduct of the project.

Question: Has the Census Bureau calculated how much will be saved as a result of the mapping information provided by the Geological Survey?

Answer: The Bureau of the Census estimated in 1982 that it could save approximately $5 million over a 10-year period in providing geographic support for the 1990 decennial census by automating processes performed clerically for the 1980 decennial census. The digital files of the

Geological Survey are an important component of the Census Bureau's geographic automation plans.

Question: Has the project had any advantages for the Survey?

Answer: The following advantages have been of benefit to the USGS: We expedited the completion of 1:100,000-scale base map coverage of the conterminous United States by 5 years. As a result the USGS and the Nation will have available much sooner a 1:100,000-scale digital cartographic data base that is already being used by all Federal and State agencies.

Question: The Bureau of the Census project is operated out of the intermediate-scale mapping. Are any mapping priorities being delayed as a result of the intensive effort on the census project?

Answer: Topographic map production at 1:100,000 scale was postponed in order to expedite the 1:100,000-scale planimetric mapping. Also, digitizing of the 1:24,000-scale maps has been at a reduced level since 1983.

COOPERATIVE GEOLOGIC MAPPING (COGEOMAP)

The Federal/State Cooperative Geologic Mapping (COGEOMAP) Program is a high priority program in the Geological Survey. The FY 1988 request is $500,000 less than last year's enacted level of $1,500,000.

Question: In FY 1986 Nevada contributed $21,000 to the program and GS contributed $18,000. What was accomplished with these funds?

Answer: Nevada conducted geologic mapping of the Steamboat 1:24,000-scale quadrangle and the Kumiva Peak 1:100,000 scale quadrangle, both in the Reno area. Mapping of these quadrangles addressed seismic and landslide hazards, urban development, and recreational facility siting applications. The Kumiva Peak quadrangle is the first in a new State geologic map series at that scale.

Question: In FY 1987 Nevada contributed $46,000 while GS contributed $22,000. What is being accomplished in FY 1987?

Answer: In FY 1987, although Nevada proposed $46,000 in matching funds, $22,000 was approved for USGS support, with the State matching at the same level. In FY 1987, Nevada is geologically mapping the Reno and Gerlach 1:100,000-scale quadrangles. These mapping studies are being coordinated with CUSMAP studies and will provide the geologic foundation for a mineral resource appraisal, as well as a seismic hazard assessment in the Reno area.

Question: For COGEOMAP, how does the Survey determine the amount that will go to each State? In FY 1987, the amount distributed to a State ranged from $290,000 for New Jersey to $10,000 that went to Nebraska to 0 funds to West Virginia.

Answer: States submit proposals to COGEOMAP with a wide range of funding requests. The USGS submits all these proposals to scientific reviewers who have regional expertise on the subject matter. Based upon these reviews, the proposals are ranked on five criteria: 1) meeting National program objectives, 2) technical merits, 3) capability of personnel, 4) budget, and 5) amount of joint planning. The highest ranked projects are then proportionally funded on the basis of workload.

Question: In West Virginia the State and GS contributed $58,000 each in FY 86. What was accomplished with this funding?

Answer: The West Virginia Geologic and Economic Survey and the USGS jointly conducted geologic mapping of coal basin rocks in the southwestern part of the State. Two 1:24,000-scale quadrangle maps were prepared that show in detail the structure and distribution of coal beds over about 100 square miles.

Question: According to the justification the $500,000 decrease would result in curtailing several COGEOMAP projects and cancellation of several others. In FY 1987 neither the State of West Virginia nor GS put forth any funding for this program. Will West Virginia be participating in the COGEOMAP Program in FY 1988?

Answer: West Virginia is very interested in COGEOMAP and plans to submit one or more proposals in FY 1988. The proposals will compete with many others, but should compare favorably, based on past experience.

GEOGRAPHIC INFORMATION SYSTEMS

Geographic Information Systems is a relatively new development in utilizing digitized earth-science data. The applications of this technology are widespread and extremely valuable. This program utilizes data produced from every local, State, and federal agency that deals in any way with surface, subsurface and hydrologic data. With so many participants involved, concerns have justifiably arisen regarding the establishment of a national database to avoid duplication and confusion so that the information may be utilized most effectively.

Question: Has the Survey implemented specific guidelines and procedures for the establishment of a national database for GIS?

Answer: No, the USGS has developed technical standards for the data in the National Digital Cartographic Data Base. These data are being collected from 1:2,000,000-, 1:100,000-, and 1:24,000-scale map sources that could be used as digital data for GIS.

Question: Do other Federal agencies have GIS systems? If so, which agencies?

Answer: Yes. Several agencies are involved in the development and application of geographic information system (GIS). The following are examples of agencies found to have GIS systems in a survey conducted by the Federal Interagency coordinating committee on Digital Cartography:

- Department of Interior
  - Bureau of Land Management
  - Fish and Wildlife Service
  - National Park Service
  - Bureau of Indian Affairs
  - Bureau of Reclamation
  - U.S. Geological Survey

- Department of Agriculture
  - Forest Service
  - Soil Conservation Service

- Department of Commerce
  - National Bureau of Standards
  - Census Bureau
  - National Oceanic Atmospheric Administration (NOAA)
  - National Environmental Satellite Data Information Service (NESDIS)

- Department of Energy
  - Pacific Northwest Laboratories
  - Oak Ridge (Martin Marietta Contractor)
  - Bonneville Power Administration

- Environmental Protection Agency
- Postal Service
- Tennessee Valley Authority
- Customs Service
- Federal Emergency Management Agency
- Agency for International Development

Department of Defense
Corps of Engineers - Engineer Topographic Laboratory

Question: Several GIS projects are being developed on a Federal-State cooperative basis. What States have embarked on this project?

Answer: Many States are now using GIS technology. The States of Idaho, North Carolina, and Connecticut are cooperating with the USGS to produce digital cartographic data and to develop GIS systems and their applications.

Question: What kind of cost-sharing relationships does GS have with these States?

Answer: Idaho - work share (50% each)
North Carolina - work share (50% each)
Connecticut - cost share (50% each)

Question: Why do these percentages vary?

Answer: Idaho, North Carolina, and Connecticut each provide one-half of the cost or one-half of the work needed to produce the data. Other State coop projects in the future could vary depending on the agreements.

Question: Will the national GIS system be set up on a State by State basis? In other words, will you complete a GIS system for one state and then move on to another?

Answer: The USGS does not have plans for a national GIS system. The USGS is developing a National Digital Cartographic Data Base to support Federal, State, and local governments in their GIS applications. Data for the National Digital Cartographic Data Base are being produced area by area as determined by Federal and State priorities.

Question: If not, would this be a feasible approach for establishing a nationwide program?

Answer: We believe a more efficient and effective approach is to direct production capacity to specified project areas to meet each agency's high priority digital cartographic data requirements.

Question: How much would it cost for a State like West Virginia, for example, to establish a statewide GIS system?

Answer: To digitize the base category map data (boundaries, transportation, hydrography, and contours) from 1:24,000-scale maps would cost about 4 million dollars for a State like West Virginia. To establish a statewide GIS system, a user would also need computer hardware and software, as well as have available other thematic data, to use the system. These costs would vary significantly depending on the application(s) intended.

Question: Would it be feasible, in your opinion, to set up a cooperative program in an effort to establish a national GIS database in an organized and efficient way?

Answer: Yes, we believe that Federal and State governments can and should cooperate to meet their mutual data needs. States currently can cooperate through work-share or cost-share arrangements with USGS through the Digital Cartography Program to meet their high priority digital cartographic data needs.

Question: I understand there has been considerable interest in the development of GIS in the private sector. Specifically, what kinds of applications are being developed?

Answer: Several organizations have been and are currently involved in the development of geographic information systems (GIS); for example, NASA (ELAS), USGS (RIPS), U.S. Fish and Wildlife Service (MOSS-developed by Autometrics), Interactive Systems Corporation (AGIS/GRAM), and Environmental

Systems Research Institute (ARC/INFO). Examples of non-Federal GIS applications follow:

Oil and Gas - energy minerals exploration
Architecture and Engineering - facility siting, construction
Manufacturing and Distribution - market analyses, demographic studies, plant locations
Transportation - dispatching, fleet operations
Forestry - timber cutting, management
Agriculture - irrigation, crop forecasting
Public Water Supply - water quality, new groundwater sources, distribution
Urban Planning - construction, housing, commercial facilities, services
Utilities - telecommunications, pipelines, electric power demand and distribution
Recreation - park and wildlife, open spaces
Waste Disposal - solid waste, pollution cleanup
Emergency Response Service - fire, medical, police
Emergency Management Planning - natural hazards (flood, earthquake, weather), industrial accidents, civil disturbance
Economic Analyses - production, demand, distribution, demographics, market penetration
Mining - mine planning, production
Cadastral - land records management

EARTH RESOURCES OBSERVATION SYSTEMS (EROS)

A $2 million programmatic reduction is proposed for Earth Resources Observation Systems (EROS). This program currently maintains a growing archive of 6 million aerial photographs and a variety of other remotely sensed data.

Question: According to the justification (p. 57-58) this reduction will inhibit the response time and amount of information to users. Will this have a serious effect on the operation of the program?

Answer: Yes. All Federal, State, and local government users, as well as private sector users, will have fewer accession aids, wait longer for information regarding data availability, and experience longer turnaround times for the products they order. This will result in an additional reduction in reimbursable revenue to the Survey.

Question: Is information requested on an emergency basis with any frequency?

Answer: Approximately 25 percent of the total EROS Data Center data production workload is for urgent requests (24 hour turnaround) for enhanced imagery and digital data products to support DoD and other intelligence agencies, and for various other Federal agencies programs regarding floods and other natural disasters.

Question: Would any States or other users in particular be especially affected by this reduction?

Answer: All users including Federal, State, and local government agencies doing disaster assessment, monitoring transient land features, and other applications requiring short response times will experience delays in getting needed data.

In particular, State and Federal agencies in Alaska because of inaccessability and climate who rely upon timely data and analytical services in performing resource inventories and assessments, studying affects of volcanic eruptions, monitoring advancement of glaciers and assessing impacts of oil and gas development will be impacted. Other States where flooding, wild fires, oil spills, and other catastrophic events occur will also suffer from loss in obtaining valuable photo products and digital data in a timely response.

EARTHQUAKE HAZARDS REDUCTION PROGRAM

A $4 million programmatic reduction is requested for the Earthquake Hazards Reduction Program. The objective of this program is to evaluate earthquake potential of seismically active areas in the United States. This program is coordinated with several other Federal agencies in an effort to prevent life threatening disasters as a result of earthquake activity.

Question: Specifically, what areas of this program would be tapered or eliminated as a result of this reduction?

Answer: The proposed $4 million reduction in FY 1988 to the Geological Survey's Earthquake Hazards Reduction Program would a) reduce regional earthquake monitoring in Alaska and the continental United States; and b) decrease earthquake prediction monitoring and research in California, Washington, and Alaska. Specifically,

- Two USGS-supported regional seismographic networks in the central and eastern Aleutian Islands of Alaska would be closed.
- Support for other regional seismographic networks in the Western United States (California, Washington, Nevada, Utah) would be reduced by approximately 20 percent.
- Analysis and research on data collected by instruments at the Parkfield prediction experiment would be reduced. Other earthquake prediction research would also be reduced by approximately 25 percent.
- Monitoring and measurement of crustal movement (earth strain) along faults in California, Washington, and Alaska with conventional geodetic and satellite techniques would be substantially reduced.

Nationwide seismographic monitoring is conducted jointly by the Geological Survey and the Nuclear Regulatory Commission and Geological Survey supported university programs.

Question: I understand that proposals have been discussed in which the Geological Survey would take over seismic networks nationwide. Have any decisions been made?

Answer: The Nuclear Regulatory Commission (NRC) has advised the USGS that it intends to withdraw completely its support for regional networks in the Eastern United States beginning in FY 1987 and ending in FY 1992. In December 1986, the USGS and the NRC concluded an Interagency Agreement on monitoring seismicity in the eastern and central United States. The USGS agreed to assume full responsibility for monitoring earthquakes in the United States east of the Rocky Mountains beginning with fiscal year 1993 through the operation of the new National Seismographic Network, as documented in the above mentioned Interagency Agreement. NRC will not be transferring funds to the Survey for this purpose beyond fiscal year 1992. This monitoring will be accomplished through a new national-scale network of state-of-the-art seismographic stations, to be established jointly by the NRC and USGS during the next 6 years. A network of 64 stations will be installed east of the Rocky Mountains, 44 of which will be east of the Mississippi River. Thus, the USGS will not "take over" the seismic networks operated by the NRC but will assume responsibility for earthquake monitoring in the Central and Eastern United States with the newly developed network.

Question: How will you accomplish this with these proposed reductions?

Answer: NRC will provide the funds ($5 million over a 6-year period) to purchase the equipment required for the new national network in the eastern United States. We understand that the NRC will gradually reduce support for the regional networks in the eastern United States as that portion of the USGS (new) network becomes operational.

Question: Would this not be more cost-effective and efficient?

Answer: Yes. The new network in the eastern and central United States will cost less to operate annually than the $2.5 million now expended by NRC to operate regional networks. The new network will be more efficient as a result of centralized data processing, operating fewer (total) stations, and satellite data transmission.

Question: Is the problem lack of funding?

Answer: Lack of funding is not a problem. The NRC has expended about $2.5 million annually to support the operation of regional seismographic networks in the Eastern United States. The NRC has offered the USGS a total of $5 million over 6 years to prepare to assume the responsibility for seismographic monitoring of the Eastern United States. However, most regional networks are operated by universities. These network operations involve the training and support of graduate students and the network data provide a basis for university research. Funding for the operation of these regional networks will not be provided by the NRC after FY 1992 and the USGS does not plan to support these networks.

Question: Early in March a story appeared in the Associated Press reporting that there is a 100 percent chance of a serious earthquake striking the eastern United States within the next 25 years. This alarming prediction was issued by Dr. James E. Beavers, an engineer with Martin Marietta in Oak Ridge, Tennessee. What is the Survey's evaluation of this prediction?

Answer: The USGS has not formally evaluated Dr. Beavers' statement. USGS scientists have observed previously that, during the historic past, a damaging earthquake has occurred somewhere in the eastern United States on the average about every 25 years. There has been a large-to-great earthquake about every 50 to 100 years. The last large damaging earthquake in the eastern United States occurred on August 31, 1886, when the southeastern United States was strongly shaken by a large earthquake (estimated magnitude 6.8) centered near Charleston, South Carolina.

Question: Please explain why it is that the geologic makeup of the eastern half of the United States is such that even a small earthquake in the east could cause much more severe damage than one of equal magnitude in the west?

Answer: Damage caused by earthquakes east of the Rocky Mountains has been more widespread than in the West because:

- In the east, the rocks in the upper layers of the Earth (layers through which seismic shaking is transmitted) are older, cooler, and thus harder than comparable layers of rock in the west. One clue to this is that there are many sites of active or recent volcanism in the west and none in the east. The harder rocks in the east are more efficient at transmitting seismic shaking; thus, the damage is more widespread from an earthquake of a given magnitude in the east than it would be from an earthquake of the same magnitude in the west.
- Lower earthquake awareness in the East has led to lower standards of earthquake design and preparedness.
- Population density is higher in the East.

Question: What is the status of the Parkfield experiment?

Answer: The Parkfield experiment is proceeding well. Most of the scientific instrumentation designed to observe changes in seismicity and crustal strain that may be precursory to the next Parkfield earthquake, is now in place. Four complimentary observational networks (seismic, geodetic survey, continuous strain, and creep) are now monitoring the central San Andreas fault near Parkfield.

- A very dense network of seismographic stations monitors details of seismicity within and near the area where the next earthquake is expected to start.

- A dense geodetic network (line lengths of 3 to 19 miles) spanning the fault has been measured every 1-2 years since 1969.

- A two-color laser geodimeter and borehole strainmeters are used to corroborate changes in seismicity and fault creep. The two-color laser geodimeter can detect crustal movements as small as 0.04 inches over distances of about 2 to 5 miles.

- Surface fault movement is monitored continuously by several creepmeters (30-ft-long devices that cross the fault trace).

Question: Have the current monitoring devices produced any data affecting the prediction of when the earthquake will occur and the magnitude of the earthquake?

Answer: No. However on several occasions in 1986 and 1987, monitoring instruments at the Parkfield experiment site have detected similar but smaller scale changes in seismic activity and crustal movement like those we expect to occur prior to the next magnitude 6 Parkfield earthquake.

COASTAL EROSION

The Coastal Erosion study was authorized as a 5 year effort to evaluate the coastal retreat and land loss occurring spontaneously along the barrier islands of Louisiana. This program has zero funding proposed in FY 1988.

Question: If this study were to be left unfinished after two years, would the GS be able to provide any results or recommendations to alleviate the rapid erosion process?

Answer: At the end of FY 1987, we will have completed two years of investigation. Accomplishments during the first year include:

Completion of the first precision bathymetric survey off the central Louisiana coast in the vicinity of Isles Dernieres since the 1930's.

These data are being compared to historical data to determine volumes of sediment that have been eroded.

Completion of a seismic reflection survey and major seabed coring effort to collect 125, 40-foot-long cores of sediment from offshore central Louisiana in the vicinity of Isles Dernieres. These data are being used to provide a broad regional understanding of the geological development of the central Louisiana coast and will contribute to an understanding of the sedimentation and erosional processes that have affected the coast in historical times.

Installation of current and wave sensors on a barrier island in the Isles Dernieres that are designed to measure the waves and currents flowing over a barrier island during a storm. The data are important to quantifying the rate and magnitude of barrier island erosion during storms.

Historical tide gauge records have been compiled and analyzed to determine the rate of sea-level rise in reference to coastal elevations in Louisiana. The rise of sea level due to local land subsidence and worldwide water-level increases are primary factors of erosion and land loss.

In the second year of the study (FY 1987), the U.S. Geological Survey plans to:

Further define the geologic development of barrier islands by conducting another seismic survey and by collecting additional sediment cores in the vicinity of Chandeleur Island.

Continue measurements on Isles Dernieres of waves and currents flowing across barrier islands during storms in order to obtain information on the seasonal variability of storms and their magnitude and erosive capacities.

Begin measurements offshore of Fourchon, Louisiana, of waves, currents, and sediment transport to determine whether sand is permanently lost offshore during storms.

Continue detailed analyses of the first year's data from the Isles Dernieres region.

USGS researchers are working cooperatively with researchers from the Louisiana Geological Survey and Louisiana State University. At the end of FY 1987, data and initial analyses of geophysical and bathymetric surveys, sediment and core samples, and data gathered during field experiments will be made available to the State of Louisiana and other concerned Federal, State, and local agencies. These initial results will provide some of the data needed by other agencies responsible for recommending procedures for mitigating coastal erosion.

Question: Coastal erosion is a problem for all coastal states, as well as those that border the Great Lakes. Is rising water level the most serious threat to our coastal areas, or are there other more serious factors?

Answer: Sea level rise is a very important process causing erosion, but it is not the only important process. The causes of coastal erosion vary for different regions of the country.

For example:

o In the Great Lakes, lake levels are at record historic heights resulting in extensive erosion. However, paleoclimatic evidence for the last 2,000 years indicates that lake levels during the last 125 years have been abnormally low and that the trend could be for rising lake levels over the next decades to centuries.

o In low-lying Louisiana, where barrier islands are eroding 60 feet per year, rapid sea-level rise relative to the land is very important. The relative sea-level rise, about one third of an inch per year, is caused primarily by land subsidence. However, also important is the lack of sediment supply. Sediment supply is controlled by the changing course of the Mississippi River through geologic time and is inhibited by extensive flood control structures along the river's length.

o On the steeper west coast of the United States, sand supply is, in general, more important to recent erosion than sea-level rise. Damming of the rivers has trapped sand naturally carried by rivers and has inhibited sand supply to the coast.

o On the southeast coast of the United States, both sea-level rise and sand supply are important. Sand is trapped naturally in the many large estuaries. Relative sea-level rise is not as great as in Louisiana, but is still important in causing recent erosion.

o In arctic Alaska, erosion rates approach that of Louisiana, yet the processes causing erosion are vastly different. Thermal erosion (thawing and slumping) of frozen coastal bluffs is an important process in the Arctic.

Question: Core samples have produced evidence that coastal erosion is an evolutionary cycle, and that its effects are inevitable. If this is true, will this study be able to provide any recommendations for alleviation of this problem?

Answer: Should the sea-level rise significantly in the future, extensive erosion and inundation are inevitable. However, the study results will be useful in helping alleviate some of the problems caused by erosion. The ultimate objective of the USGS study is to acquire a better understanding of the processes which cause erosion. The results can be applied by other State and Federal agencies to erosion problems on the central Gulf coast and elsewhere in the country. The types of applications include determining the rate at which artificially created beaches need to be rebuilt, finding sources of offshore sand that could be used to rebuild beaches, and predicting future shoreline erosion so that coastal planners can establish proper zoning for new construction.

The study will provide both short-term and long-term benefits. Short-term benefits include providing technical data necessary to the design of immediate erosion mitigation. Long-term benefits include improving our understanding of erosion processes so that state-of-the-art planning and management policies can be developed for the prudent use of our coastal resources and for mitigating coastal erosion.

EEZ AND GLORIA SONAR

Mapping of the entire Exclusive Economic Zone (EEZ) of the United States and our territories has made great progress with recently acquired sonar technology.

Question: How much of this area remains to be mapped?

Answer: To date the U.S. Geological Survey has mapped approximately 1 million square nautical miles. Using GLORIA, the EEZ off the western conterminous United States, the Gulf of Mexico, and the Puerto Rico/Virgin Islands area has been mapped, as well as 75 percent of the deep-water (greater than 600 feet water depth) Bering Sea EEZ and 15 percent of the EEZ around Hawaii. The EEZ off the Atlantic coast is presently being mapped with completion anticipated by June 1987.

On completion of the survey of the U.S. Atlantic EEZ, the ship will proceed to the Pacific to complete the mapping of the Bering Sea EEZ. Mapping will continue in the Hawaiian EEZ, Gulf of Alaska, and Aleutian Islands region. Over the next 5 years, the goal of the program is to map about 350,000 sq. nautical miles per year using GLORIA. If this schedule can be maintained, GLORIA surveys of the coastal States will be complete. Plans would then be made to survey the U.S. Pacific territories and possessions.

Question: This technology has greatly expanded the potential for mineral exploration. Have there been any recent discoveries of offshore energy potential in the face of recent predictions of an impending energy crisis?

Answer: The EEZ is an important frontier area for oil and gas resources. The EEZ mapping has revealed the seafloor in this deep water frontier area as it has never before been seen. The continental slope in the northern Gulf of Mexico is extensively deformed by migrating masses of salt. The edge of this seaward advancing salt front is shown as a striking escarpment on the GLORIA imagery. Communities that require no light and nourish themselves on sulfur-reducing bacteria produced on the seafloor have been found on spreading ridge crests and at the edge of the continent. This is an exciting discovery because the presence of such communities on the continental slope in the northern Gulf of Mexico may be related to petroleum at depth, and therefore further research to determine their origin and to evaluate their value as a prospecting tool is needed.

The EEZ mapping is providing new insights into the development of modern submarine canyon and fan systems. Fifteen submarine fans have been mapped in varied geologic settings, in the Bering Sea, Gulf of Mexico, and off the U.S. west and east coasts, and striking differences have been found. Onshore in buried basins, oil and gas are associated with ancient river deltas and fans. Therefore, understanding the details of modern fans will allow geologists to more effectively explore and exploit the resource potential of both modern and ancient fans.

Question: Have there been any recent discoveries of strategic and critical mineral deposits?

Answer: Surveys and sampling of the seafloor in the Hawaiian EEZ near the Line Islands and the Mid-Pacific Islands of the Pacific Ocean have located potential cobalt resources on seamounts. Over 7 tons of crust and substrate material were dredged from the EEZ near Johnston Island that contained cobalt-enriched manganese crusts reaching 17 cm in thickness. These samples will be evaluated in metallurgical laboratories to determine their resource potential.

Massive sulfide deposits have been found on the Juan de Fuca and Gorda Ridges in and beyond the EEZ off the coasts of California, Oregon, and Washington. Polymetallic sulfide deposits rich in copper and iron were discovered by the USGS in the Escanaba Trough on the southern end of the Gorda Ridge off northern California. This is the first discovery of these sediment-hosted metal deposits in the U.S. EEZ, the only other discovery was found offshore in the Gulf of California. Most sulfide ore deposits on land are of the sediment-hosted variety, and, therefore, these findings offer the opportunity to study an economically important geologic process occurring in real time.

Titanium-rich mineral deposits have been identified in sand bodies present on the continental shelf off the Virginia and Georgia coasts. Phosphorite is also a potential resource in the shallow water of the continental shelf off the southeastern United States.

NATIONAL WATER-QUALITY ASSESSMENT PROGRAM

The National Water-Quality Assessment (NAWQA) Program was started in fiscal year 1986 and funded at a level of $2.4 million (after sequestration). In fiscal year 1987, $7.0 million has been appropriated for this activity.

Question: Can you summarize the concepts being tested in the pilot program?

Answer: The pilot program is intended to provide a basis for judging the validity and usefulness of a national program's potential outputs. The program will be judged in terms of its overall design, sampling techniques, approaches to data analysis and dissemination of results, and relevance of results to key water resources decision makers.

The objectives of a full-scale program would be to:

1. Provide nationally consistent descriptions of the current status of water quality in a large, diverse, and geographically distributed portion of the Nation's water resources.
2. Where possible, define the trends in water quality which have occurred over recent decades and provide a baseline for evaluating future trends in water quality.
3. Identify and describe the relationships of both the status and the trends in water quality to the relevant natural factors and the history of land-use and land- and waste-management practices. This will provide information which is useful for examining the likely consequences of future changes in land-use or land- and waste-management practices.

A key element of the concept is the organization of the program into study units. For ground water, these are large portions of aquifers or aquifer systems. For surface water, they are watersheds or portions of watersheds known as hydrologic subregions. The concept stresses the importance of a commonality of approach, method, and reporting among all the units along with the flexibility to be responsive to the key concerns of each particular area. For example, a small set of water-quality variables has been identified as national target variables, and will be measured in all study units, whereas other variables will be measured only in selected study units because of their particular importance in those locations. The concept also stresses the importance of interpretive reports which describe and, whenever possible, explain the differences in water-quality over space and time within and among the study units, and also explore the relationships between these conditions and a wide variety of natural and human factors.

In each study unit, a team of scientists will use existing data and collect new data as needed, leading to characterizations of the study unit with respect to a number of water-quality issues. The issues to be considered include: contamination (natural and manmade), eutrophication, acidification, sedimentation, and acceptability of the water for various uses. The approaches used are to be well documented and repeatable in the future so that they form a baseline for ongoing future examinations of water quality. For surface water, the approaches include: fixed-station sampling of dissolved and suspended constituents, to quantify transport and to assess long-term trends; synoptic sampling of dissolved and suspended constituents, as well as bed material and biota, to characterize individual river reaches; and intensive studies with a high density of sampling in space and time, leading to mathematical models of the physical, chemical, and biological processes which can be used for evaluating management alternatives. For ground water, there will be sampling of water from existing wells and newly augered holes as well as from springs and surface-water base flow, coupled with extensive use of hydrogeologic soil, and land-use information. All of this information will be used to determine the distribution of various classes of contaminants and of high-quality water, and to identify areas with different susceptibilities to future degradation.

Question: How long will the pilot program last? At the conclusion of the pilot stage, what results do you hope to have produced which can be considered in deciding whether or not to move toward a full-scale program?

Answer: We expect the pilot program to last about 4 years, which means that the pilot stage would be finished some time in fiscal year 1990, with some low-level activity required in fiscal year 1991 to complete reports. The USGS hopes to demonstrate, through the pilot-scale effort, that the studies can be completed in the proposed timeframes, at the proposed costs, and produce information which is scientifically sound. In addition, the USGS must demonstrate that the types of water-quality information developed through the pilot program are of use to those who are responsible for making water-quality related decisions. Evidence of this utility will be indicated, at least in part, by the extent of local, State, and other Federal agency involvement in the pilot studies. We expect that the organizations will base their opinions regarding the usefulness of NAWQA information, on impressions gained from participation on the individual pilot study liaison committees and on the National Coordinating Work Group. These groups are intended to facilitate the exchange of information on national and pilot study design and accomplishments. We also expect that reports from the pilot studies will provide insight into what might be possible, in terms of resource management, if this type of information were available nationwide.

Question: Can you explain the relationship of laboratory capabilities to the pilot scale program versus transition to a full-scale program?

Answer: Current USGS laboratory capabilities are sufficient to provide for the analysis of samples being collected during the pilot scale program. For a full-scale program, the laboratory capabilities would have to be expanded, and various options for this expansion would be reviewed at the end of the pilot phase.

Question: I note that one of the pilot water-quality studies is in Nevada. Why was this study chosen?

Answer: The Carson basin was chosen as one of the pilot study areas for the following reasons: (1) there are competing demands for a limited water supply in the basin; (2) the basin has a rapidly changing land-use pattern that will likely have a measurable effect on water quality; (3) there are a diversity of water-quality issues in the basin; and (4) results from the study should have good transfer value throughout much of the arid west, particularly in other alluvial basin systems.

Question: Who in addition to the USGS is involved in this study?

Answer: Advice, review, and coordination occurs through the Carson basin study Liaison Committee. Representation on this Committee includes:

Non-Federal Members

-- Nevada State Dept. of Conservation and Natural Resources
-- Nevada State Dept. of Human Resources
-- Nevada Bureau of Mines and Geology
-- California Department of Water Resources
-- California Regional Water Quality Control Board
-- Fallon Paiute-Shoshone Indian Tribes
-- Nevada Water Resources Center
-- University of Nevada--Reno
-- Carson Department of Public Works
-- City of Fallon
-- Douglas County Department of Public Works

Federal Members

-- Environmental Protection Agency
-- Bureau of Land Management
-- Bureau of Reclamation

In addition, the following State agencies are directly involved in the conduct of activities as part of the pilot study: (1) the Nevada Division of Environmental Protection is working with the USGS on ground-water sampling and monitoring in the Fallon area; (2) the Nevada Division of Water Resources and Division of Environmental Protection are coordinating development of the historical ground-water data base with the project team; and (3) the University of Nevada is working with the project team on development and application of methods for using fluorocarbons as ground-water tracers for delineation of vulnerable zones.

Question: What kinds of things are you investigating in this study?

Answer: The general goals of the pilot National Water-Quality Assessment study are to: (1) describe current water-quality conditions; (2) provide a baseline for evaluating future trends in water quality; and (3) relate current conditions and observed trends to natural and human factors.

The specific goals of the Carson Basin study are to: (1) describe overall ground-water quality in the principal aquifers of current use with respect to a broad suite of chemicals of current health concern; (2) describe ground-water quality near the water table where many man-made contaminants may be first introduced into ground water; (3) describe the effects of agricultural practices on ground-water quality in the basin; (4) describe the distribution of arsenic, selenium, and other trace elements; and (5) describe the levels of radon in ground water in the basin.

Question: In fiscal year 1988, the budget estimate for NAWQA is $4,249,000. This is a $3.0 million reduction from the fiscal year 1987 enacted level of $7.0 million. What will you be able to accomplish with this significantly reduced amount compared to the activities currently being conducted with the fiscal year 1987 appropriation of $7.0 million?

Answer: Since the time when the President's Budget was formulated (December 1986), the Department has reconsidered the funding required to successfully continue the pilot National Water-Quality Assessment Program. Maintaining activities in each of the seven ongoing pilot study areas is considered vital if the proposed water-quality assessment concepts are to be properly evaluated. The USGS has organized study unit liaison groups consisting of representatives from State, local, and other Federal agencies who are providing valuable assistance in the conduct and oversight of pilot study efforts. It is now thought unwise to terminate activities in any of the ongoing study areas. Therefore, we will operate the seven projects at a reduced level or propose a reprogramming in fiscal year 1988 to enable the continuation of the pilot National Water-Quality Assessment Program at approximately the $7 million level.

SAN JOAQUIN VALLEY AND OTHER IRRIGATION DRAINAGE ISSUES

Question: Can you provide us with an update on the progress of the Survey's investigations of contamination problems in the San Joaquin Valley of California related to selenium and irrigation?

Answer: Full Geological Survey participation in the San Joaquin Valley Drainage Program started in December 1984, and since that time, 18 reports have been prepared, of which 12 have been published. The USGS studies focus on the origin, distribution, transport, and ultimate fate of selenium and other trace elements in ground and surface water. The principal components of the study program include:

o hydrologic investigation of the ground-water flow system at both regional and agricultural field scales;

o the distribution of selenium in soils and ground water;

o geochemical processes that control the distribution and concentration of selenium in soil and ground water; and

o investigations of the source and loading of selenium in the San Joaquin River and its tributaries.

Findings to Date

o In aggregate, the water-quality data show that the highest concentrations of selenium occur in field drains, and the lowest concentrations of selenium occur in shallow ground water. These low concentrations are observed along the valley axis and in the northern part of the service area. Analysis of deeper ground water showed generally low selenium concentrations, with only 5 of 64 wells showing anomalously high selenium concentrations.

o The lowest concentrations of selenium are in the valley trough where sediments from the Sierra Nevada dominate.

o The ultimate source of selenium is believed to be derived from sediments eroded from the Coast Range on the west side of the San Joaquin Valley. Selenium in soils and ground water is generally higher in the alluvial fans that spread over the valley floor from the west, particularly the Panoche fan where much the the USGS technical activity is concentrated.

o The distribution of selenium in ground water reflects the effects of leaching from soils, evaporative concentration of shallow ground water, the presence of oxygen, and the geologic source of aquifer materials.

o The highest concentrations of selenium in ground water occur downgradient from areas with high soil concentrations where evaporative concentration has occurred because of a shallow water table.

o Soils are a long-term source of low to moderate concentrations of selenium in water percolating through the soil to the ground water.

o Selenium transported to the Delta by the San Joaquin River originates mainly from agricultural drainage water from the west side of the San

Joaquin Valley. These discharges are greatly diluted by flows from east-side tributary streams, but the total amount of selenium delivered to the Delta is not significantly reduced in transport.

- Initial indications are that significant selenium does not presently enter San Francisco Bay from the San Joaquin River.

Work Underway and Planned

- Quantitative analysis of the regional ground-water flow system and potential ground-water management options.
- Assessment of the importance of soils as a long-term source of selenium.
- Further definition of the depth distribution of selenium in ground water.
- Investigations of annual and seasonal variation of selenium in the San Joaquin River.
- Analysis of the movement of water and solutes to tile drains.

Question: We understand that the USGS is also involved in studies of potential irrigation drainage problems in other areas. Among these is the Stillwater Management Area in Nevada. Can you summarize this effort? Have you come to any conclusion?

Answer: The USGS is cooperating with the U.S. Fish and Wildlife Service and the Bureau of Reclamation in the Stillwater Wildlife Management Area field screening study. The overall objective is to determine from existing information and the field screening study results whether irrigation drainage has caused or has the potential to cause harmful effects on human health, fish and wildlife, or reduce the utility of return flow for other uses. If available information indicates a high potential for harmful effects, then a more detailed investigation will be conducted to determine the extent, magnitude, and cause(s) of concern.

The first of 4 planned sets of samples of water, bottom sediment, plants, invertebrates, fish, and birds was collected in June 1986. A second set of samples was collected in late October 1986, a third set in March 1987, and a fourth is scheduled for May 1987.

Results of tissue analysis showed elevated levels of selenium in livers of black-necked stilts. Arsenic levels were elevated in invertebrate samples. Results of analysis of surface-water samples collected from several locations indicated that levels of arsenic, boron, copper, lead, and mercury exceeded Nevada's water quality standards. Levels of arsenic, boron, and manganese exceeding State standards were found in ground-water samples from shallow aquifers. Results of a concurrent Bureau of Reclamation sampling program on the Fallon Indian Reservation indicated elevated levels of arsenic and selenium in surface drains.

The field screening study is continuing, and it appears that the Stillwater Wildlife Management Area is a likely candidate for more detailed investigation. Activities of the field team are coordinated with the Nevada Department of Wildlife, Nevada Department of Environmental Protection, and the Truckee-Carson Irrigation District.

WATER RESOURCES RESEARCH INSTITUTES PROGRAM

The Water Resources Research Institutes Program has been proposed for reduction once again this year. The request for fiscal year 1988 is for $4,638,000, a reduction of $1,039,000 from the fiscal year 1987 enacted level.

Question: According to the justification (p. 238) this reduction would result in a decrease of the amount granted to each Institute from $105,000 to $86,000 in fiscal year 1988. Will any of the Institutes be forced to suspend their programs at this reduced funding level?

Answer: We know of no Institute that would suspend its program if the Federal funding was $86,000 in fiscal year 1988.

The National Water Resources Research Grants Program has also been reduced from $4,381,000 in fiscal year 1987 to $1,810,000 requested in fiscal year 1988. The request for administration of both the Grants Program and the Institutes Program is $794,000, a reduction of $484,000 from fiscal year 1987 and a reduction of 5 FTE. This is a severe cutback, particularly for the Grants Program.

Question: Would these funding levels enable the Grants Program to produce the amount of quality and quantity research that it has in the past?

Answer: The quality of the research funded at the $1,810,000 level would not be reduced from that which has been funded in the recent past. Only the amount of research would decrease. The reductions in funds and manpower for administration are to be accomplished by savings from reduced travel associated with the evaluations of the Institutes, which will be completed in fiscal year 1987, and from more effective administration of the program.

Question: The Water Resources Research Institutes Program and the Grants Programs were established separately. Are their functions and purposes, in fact, the same? The authorization for the Water Resources Research Act of 1984 expires in 1989. Has there been any discussion of combining these programs, thereby concentrating the funding that is designated for each State into one cohesive program?

Answer: In accordance with the provisions of the Water Resources Research Act of 1984, the objective of the Water Resources Research Institutes Program is to resolve State and regional water and related land problems, whereas the objective of the Grants Program is to address problems deemed to be in the national interest. We feel that the two programs are sufficiently different in purpose that they are most effectively administered as separate but complementary programs.

Question: Are there any changes you might recommend when this legislation goes up for reauthorization?

Answer: The authorization for the Water Resources Research Act expires in 1989 and the Administration will formulate its recommendations on proposed successor legislation to Public Law 98-242 as part of the reauthorization process.

Question: The Water Resources Research Institutes have been undergoing individual evaluation by the Survey since fiscal year 1985. Information provided to the Subcommittee shows that eight Institute evaluations remain to be conducted. Once all of the Institutes have been evaluated, will the cycle start over again, so that continual monitoring of the established standards will be an ongoing effort?

Answer: Institutes will continue to be evaluated, but on a less intensive basis. The Water Resources Research Act of 1984 calls for each Institute to be evaluated within the first 2 years of its establishment and to be reevaluated at intervals not to exceed 4 years.

Question: Five Institutes were put on probation for not meeting the eligibility requirements of the Institutes Program. West Virginia and Louisiana are among these five, although West Virginia was recently taken off the probationary list. Specifically, what happened at the West Virginia Institute that caused them not to meet the requirements?

Answer: The research-coordination and information-transfer procedures at the West Virginia Water Resources Research Institute were found to be inadequate. The Institute was placed on probation for 1 year, effective

February 27, 1986. Information concerning corrective actions taken by the Institute was submitted to the USGS in early 1987, and on March 10, 1987, the full eligibility of the Institute to receive future grants under Public Law 98-242 was restored.

FLOOD CONTROL

Question: Has the flood forecasting system installed at Tug Fork, West Virginia, several years ago been effective? Has the flood forecasting time been shortened?

Answer: The USGS installed and operates seven streamflow stations in Tug Fork, West Virginia. These stations are equipped with data-collection platforms (DCPs) and report through regular channels to the U.S. National Weather Service (NWS) office in Charleston, West Virginia, where the data are used to provide flood forecasts and warnings for the Tug Fork basin. The NWS is responsible for flood forecasting and would know how the flood-forecasting time has been improved.

Question: Is the state-of-the-art technology in use in West Virginia, which is a highly flood-prone State?

Answer: According to the NWS, much of West Virginia is instrumented with state-of-the-art FLOWS systems. In addition, the USGS operates 77 streamflow sites and 11 stream-gage sites in West Virginia. Of these sites, 48 are used as flood-forecast stations in the NWS. These sites are equipped with DCPs and/or telephone land lines.

Question: To what extent is this technology used nationwide?

Answer: The USGS operates approximately 7,000 streamflow stations. At 1,880 of those sites, the USGS also operates a satellite DCP. Approximately 3,000 stations are used as flood-forecast points and are equipped with some type of remotely accessible communication equipment such as a DCP or telephone land line.

COAL

The Survey's recent efforts in the area of analyzing coal quality on a national basis have been impressive in view of serious fiscal reductions in this program in recent years. The success of the coal accessibility study in Kentucky would be extremely useful in other major coal-producing States such as West Virginia and Pennsylvania.

Question: What plans do you have to expand this study to other States?

Answer: Although investigations of coal accessibility is a relatively new initiative, development of methodology has reached the point where we are convinced that data on accessibility of coal resources of the United States through a coordinated, systematic program is an attainable objective.

Procedures have been developed using computer technology to combine geologic maps of coal beds with maps showing coal quality (sulfur and Btu), mined-out areas, cultural features, topography, and restricted areas to produce estimates of remaining coal by type of mining required, depth of overburden, quality, and mineability. The resulting estimates of available resources will be well documented and precisely defined, and will provide a valuable basis for future planning related to energy resources and environmental considerations. Meanwhile, the pilot study, begun in Pike County, Kentucky, is being expanded to include Virginia and West Virginia. Preliminary discussions have also been held with Alabama, Illinois, New Mexico, Pennsylvania, Utah, and Wyoming, and all have expressed interest in participating.

Question: With recent endorsement and Federal commitment to the Clean Coal Technology program, use of our coal resources are limitless. What progress has been made in finding and mapping coal resources that are accessible and those that are not?

Answer: In general, the coal resources of the United States are well documented geologically, but the quality and mineability of these resources are not known with the level of confidence needed for energy planning by government and industry. The current pilot cooperative study involving the USGS and the Kentucky Geological Survey, and other cooperative efforts being planned with West Virginia and Virginia, will result in small but significant advances toward an assessment of the Nation's available coal resources.

Question: The accurate characterization of coal is a new area of research for the Survey. What do you propose to do that's different than the coal characterization work that the Department of Energy's Pittsburgh Energy Technology Center and its associates are doing?

Answer: The perception that there are new aspects of coal characterization studies at the USGS may stem from our recent increased effort in this kind of work and our use of some newer and more sophisticated analytical methods. However, coal characterization has been an integral part of the Survey's coal program for many years.

Coal characterization studies at the Department of Energy's (DOE's) Pittsburgh Energy Technology Center and those at the Survey are directed along very different paths. DOE coal characterization work is of two types. First, they perform a large number of routine chemical analyses as a quality control function for coal purchased by government agencies. They determine whether or not samples meet contract specifications. These data are also entered into the coal-quality files of the USGS National Coal Resources Data System. Their second responsibility is to do coal characterization research designed to determine the basic chemistry and physics of coal in support of coal conversion processes and coal-utilization techniques. These can be thought of as "downstream" functions where utilization technology is the major aspect of the research.

In contrast to the coal characterization work at DOE, the Survey is concerned with the "upstream" aspects of coal quality. The USGS is engaged in an integrated program of basic and applied research to gain an understanding of the fundamental nature of coal as a material, and of the origin, distribution, and mode of occurrence of mineral matter in coal. This work is conducted to broadly characterize the quality of the Nation's coal resources, to predict the quality of future coal reserves, and to provide basic coal-deposit level data for coal-utilization characterization. Research is also conducted to develop methodologies for assessing coal resources on the basis of coal-quality parameters. The data obtained from coal research at the USGS is stored in the National Coal Resources Data System (NCRDS) for access and study by the USGS and other Federal, State, and private agencies.

This kind of work has been conducted at the USGS for the past 15 years and has recently been expanded in response to the need to characterize the quality of the Nation's coal resources for increased utilization and environmental concerns. Expanded research in these areas by the USGS was recommended by the participants at a national-level symposium on research requirements for coal quality held at the USGS headquarters, Reston, Virginia, in April 1985. The symposium was cosponsored by the USGS, U.S. Department of Energy, U.S. Environmental Protection Agency, American Association of State Geologists, and the Electric Power Research Institute. The proceedings of this meeting were published as USGS Circular 979.

QUESTIONS SUBMITTED BY SENATOR JAMES A. MCCLURE

$2,000,000 of the $2,597,000 FY87 Supplemental request is to implement a pilot accounting and payment system. This pilot will eventually lead to a new system of all Bureau's in the Department of the Interior. These funds will provide the financing necessary to reaffirm accounting requirements in all Bureau's, develop a standard approach for meeting those requirements, and develop specifications for the procurement of needed software. Because of our budgetary difficulties and the requirements of the Deficit Control Act, we will need an offset to fund any supplemental requests.

Question: Why is it necessary to fund this pilot system in FY 87?

Answer: This system fulfills a Reform 88 Commitment to OMB for the improvement of financial operation. The funds requested in the FY 1987 Supplemental Request are not intended to fund the pilot program in FY 1987. They will be used for the preparation, issuance, negotiation, and contract award for the Request for Proposal issued in April, 1987. The awarding of the contract in FY 1987 will enable us to install a pilot system in FY 1988.

Question: Assuming the FY 1987 Supplemental is enacted by July 1, 1987, and the FY 1988 bill is enacted on October 1, 1987, what is the impact of a three month delay in the pilot system?

Answer: Since the funds requested in the FY 1987 Supplemental Request are to develop requirements, prepare an RFP, and award the contract there will be little if any impact on the pilot system as a result of a three month delay from April to July 1, 1987. The pilot system is planned to be installed in FY 1988 and to be funded through a $2 million amendment to the FY 1988 Geological Survey appropriation. This request for amendment is now enroute to the Congress. Should that amendment to the FY 1988 Geological Survey Appropriation not be enacted, a delay in the implementation of the pilot system would then certainly result.

Question: Has the Department identified any offsets?

Answer: In completing the FY 1987 column of the FY 1988 President's Budget the Department requested recissions of $302.7 million. These recissions were considered the offsets to all of the DOI Supplemental requests.

Question: If Congress did not provide additional funds in FY 1987, but allowed the Survey to proceed, how would you fund the project?

Answer: Each of the 10 Interior Bureaus would contribute their proportional share of the funds necessary to proceed with the pilot system. Bureau contributions have been estimated by calculating projected transaction usage based on past experiences.

Question: Please provide for the record, the current long term plan for implementation of this system and how would the funding requirements changes if funding was initiated in FY 1988.

Answer: The current long term plan for implementation of the system is to install the pilot system in the Geological Survey and the Bureau of Reclamation in FY 1988, install four additional bureaus in FY 1989, and install the remaining four bureaus in FY 1990. Following implementation within all bureaus, the system will require permanent maintenance and periodic updating. Funding requirements of the program are $6 million for the first 3 years. However, to procure and install the system in FY 1988 could require $3 million as opposed to the $2 million currently in the pending Budget Amendment. Progress on program implementation would be delayed if initiated in FY 1988.

PRIMARY MAPPING

Unit costs for the Primary Mapping Program vary depending on cultural detail, terrain and geographic location. The average cost for initial primary mapping currently being conducted is about $475 per square mile. The average cost for complete revision, however, is about $650 per square mile. One reason complete revisions, have more expensive costs per square mile than initial primary mapping is because these revisions are presently typically done in complex urban areas.

Question: Are there other reasons?

Answer: The level of detail and complexity of information are the major reasons for the variance in cost between primary mapping and complete revision. Complete revisions are essentially map replacements whereas in other types of revision much of the original map information is used.

Question: What would the cost per square mile be for initial primary mapping in the areas you are currently completely revising?

Answer: The process of complete revision is nearly identical to that of initial mapping; therefore, the costs are the same, i.e. about $650 per square mile.

MAP INVENTORY

The Geological Survey currently has a map inventory of 100 million copies. This is a reduction of 14 million copies from the FY82 level. A further 30 percent reduction in the inventory is planned over the next three years as the map stock management system becomes operational.

Question: Besides sales volume, what will the map stock management system provide?

Answer: The Maps, Aerial Photographs, and Publications System (MAPPS) provides:

Order entry, line items/cost and customer addresses.Inventory on all USGS products, and other Federal products, such as U.S. Fish and Wildlife ecological inventory maps, Defense Mapping Agency 1:50,000-scale topographic quadrangles and Bureau of Land Management Surface and Minerals Management maps.

Warehouse locations, map room locations, history - 1st and subsequent printing, border file - adjoining maps, and customer billing cost summaries (monthly statements), Survey (other divisions), SIBAC (other Federal), voucher for transfers between appropriations and/or funds.

Refunds, accounts receivables - non-delinquent, delinquent; and management reports which include, line items/copies/dollars by type map.

Question: What system was the Survey previously using before the map stock management system to determine proper inventories?

Answer: A semiautomated map inventory system was previously used. This was a bulk inventory system using punch cards to record the number of map copies. Punch cards were added or removed to represent stock movement. The system resides on the Bureau's mainframe computer.

PRIMARY MAP REVISION

The budget indicates a shift of $7.6 million from Primary Mapping to Revision. Program outputs, however, do not indicate a corresponding shift but do indicate a slight reduction in outputs for both.

Question: Why isn't there an increase in outputs for Revisions when there is a 55 percent increase in funds?

Answer: The outputs shown do not reflect the level of effort begun in prior years, because it takes more than 1 year to complete a map. The following table shows the revision outputs through FY 1988.

Estimated New Starts, by Revision Type

	Actual FY 1986	Estimated FY 1987	Proposed FY 1988
Photorevision	1,000	900	800
Limited Revision	410	720	1,050
Complete Revision (or replacement)	100	200	400
Total	1,510	1,820	2,250

Question: Why are you proposing a shift in emphasis from Primary Mapping to Revision?

Answer: We are in the process of completing initial coverage and are able to shift funds for some of the many needed map revision projects which are backlogged. In FY 1988, $7.6 million of new mapping resources will be directed to the map revision backlog to increase the emphasis on correcting and upgrading substandard and deficient maps and data. A significant number of older maps, produced with technology which has since been improved, do not meet standards of content, are not current, or do not meet National Map Accuracy Standards. These maps are therefore of reduced value to many users. The achievement of national cartographic standards will also ensure that current and accurate cartographic data are entered into the NDCDB, which will increase the value of the multipurpose digital cartographic data for thematic applications. Maintaining the currentness of the existing inventory of maps that presently meet national cartographic standards will be essential in the revision effort.

PUBLIC LANDS SURVEY SYSTEM (PLSS)

You have requested a decrease of $1.0 million in Digital Cartography. This reduction will cause a one year delay in the planned three year effort to digitize the Public Lands Survey System (PLSS).

Question: What was the FY 87 allocation for the PLSS digitization efforts?

Answer: In FY 1987 USGS allocated - $850,000 for the production of PLSS data at all scales.

Question: If this reduction is approved, what will be the FY 88 allocation for this effort?

Answer: In FY 1988, funds for all scales of PLSS collection is planned at $1,620,000.

Question: What agencies will be impacted by this reduction and how will they be impacted?

Answer: Major Federal users include Bureau of Land Management, Soil Conservation Service, U.S. Forest Service and the U.S. Geological Survey. Extending the effort to collect the PLSS and boundary data at 1:100,000-scale beyond the 3-year time delays the availability of these data for GIS and other applications to users.

SMALL-SCALE AND OTHER MAPPING

A $1.35 million (-55 percent) reduction is proposed for FY 88 in the Small-Scale and Other Mapping Program. This reduction eliminates funding added in FY 87 which accelerated delivery of maps to the BLM. The BLM uses these maps for planning purposes in the Oregon and California Grant Lands. The BLM will replace these maps with large scale maps and digital line graphs.

Question: What has been BLM's reaction to this proposed reduction?

Answer: Given the need to reduce Federal expenditures to control the Federal deficit neither USGS nor BLM have requested funds to accelerate this work in FY 1988.

Question: How much of the $1.35 million added in FY 87 has been used to date?

Answer: On April 13, 1987, the USGS transferred $614,000 to BLM to support a BLM administered contract with a private firm for base mapping of O&C Grant Lands. Currently, a Memorandum of Understanding (MOU) is being negotiated between USGS and BLM whereby an additional $518,000 of the $1,350,000 would be transferred from the USGS appropriation to BLM. The $518,000 would be used by BLM to edit the data base to ensure its adequacy for BLM management applications and for conversion to the National Digital Cartographic Data Base (NDCDB). The remaining $218,000 would be used by the USGS to support NDCDB development in the western O&C Grant Lands and vicinity. In FY 1988, the USGS would receive $58,000 from BLM to support continued NDCDB development in the O&C Lands and vicinity.

ADVANCED CARTOGRAPHIC SYSTEMS

A $1.0 million increase is requested for FY88 in Advanced Cartographic Systems. The majority of this increase is to fund the procurement of state-of-the-art equipment required to take advantage of developing Department of Defense technology. Your justification states that Advanced Cartographic Systems technology is the most cost effective way to supplement map production through the year 2000.

Question: What other systems, if any, were analyzed?

Answer: The other alternatives included modernization without linkages to DoD contracts, in one case funding the requisite R&D ourselves, and in the other case delaying modernization until similar technology is available off-the-shelf from the commercial market.

Question: What additional equipment purchases do you have planned in the near future?

Answer: Additional ACS equipment planned in the near future include scanners, standalone edit stations, plotters, digital line graph plotters, and verification plotters, along with associated software.

Question: How did you convince OMB?

Answer: A cost-effectiveness study was conducted in 1986, at OMB's request, to compare the cost-effectiveness of ACS with other viable alternatives. The cost-effectiveness study showed clearly that ACS is the least expensive technology to augment needed USGS mapping capacity through the year 2000.

Question: What do you mean by "developing DoD technology"? If it's developing technology shouldn't we wait to purchase equipment until the technology is farther along?

Answer: Developing DoD technology is a major modernization program related to exploitation of classified systems. By invitation of DoD, we have been asked to help influence the development of this new technology. To use this technology for domestic mapping, we must make timely investments as the DoD program evolves. New equipment is being developed for use in the 1991 to 1993 timeframe. We are benefiting by being able to take advantage of ongoing DoD contracts to develop software and to purchase the new equipment at far less cost than would be possible on a single-agency purchase basis.

Question: What type of equipment will you purchase for $750,000?

Answer: The majority of the $750,000 will purchase standalone edit stations and some scanners in FY 1988.

Question: What will be done with the remaining $250,000?

Answer: The remaining $250,000 will be used to fund the continuing adaptation of software to support the enhanced formats and expand content of the data and for training personnel.

EARTHQUAKE HAZARDS REDUCTION

A $4 million reduction (-12 percent) is proposed for FY 1988 in the Earthquake Hazards Reduction program. About $1.5 million of this amount will come from a reduced effort in developing a plan for a National Seismic Network in conjunction with the Nuclear Regulatory Commission.

Question: What reduced effort will be maintained in FY 1988?

Answer: Several seismographic stations will be installed and used to test communication links. Hardware and software that will be used for data analysis in the Eastern United States will also be tested. Funding for these activities is being provided by the Nuclear Regulatory Commission (NRC).

Question: Has the NRC also requested a reduction in its efforts for FY 1988?

Answer: The NRC has advised the USGS that it intends to withdraw completely its support for regional networks in the Eastern United States beginning in FY 1987 and ending in FY 1992. The NRC has agreed to provide the USGS a total sum of $5 million over a 6-year period (beginning with $500 K in FY 1987) to acquire the permanent equipment, including operating software, necessary to establish the new network as an alternate means of monitoring earthquakes in the Eastern and Central United States.

Question: Another $2.5 million of this $4.0 million reduction is in the Earthquake Prediction Research program. Field instruments installed in the Parkfield, California, region during FY 87 will be maintained. Research on new and existing data from these instruments and other predictive topics will be reduced. The justification leads me to believe that the Parkfield field instruments will collect data but there aren't adequate funds to analyze this collected data. Is that accurate? Briefly break down the reduction in Earthquake Prediction research?

Answer: The proposed $4.0 million reduction of the overall USGS Earthquake Hazards Reduction Program requires reductions in both earthquake prediction research and regional earthquake monitoring. Data analysis will continue at a reduced level.

The analysis and research on data collected by instruments at the Parkfield prediction experiment would be delayed. Other earthquake prediction research involving laboratory and theoretical investigations would also be delayed. Monitoring and measurement of crustal movement (earth strain) along faults in California, Washington, and Alaska with conventional geodetic and satellite techniques would be delayed.

FEDERAL/STATE COOPERATIVE GEOLOGIC MAPPING

The Federal/State Cooperative Geologic Mapping (COGEOMAP) Component forms the core of the National Geologic Mapping Program. It consists of cooperatively funded projects to produce general-purpose geologic maps in areas of mutual interest to the Survey and State geologic surveys. Few States have the resources to maintain the wide ranging specialized technical expertise that exists in the Geological Survey.

Budget Authority

	FY 86	FY 87	FY 88*
Federal	$1,358,000	$1,300,000	$800,000
State	1,541,000	2,541,000	**

*Estimates
**Estimates not available

In analyzing the Federal and State share of this program, I note that the state share is expected to increase from FY 1986 to FY 1987, while the Federal share is decreasing from FY 1986 through FY 1988.

Question: What are your estimates for FY 1988 state share?

Answer: COGEOMAP is an important component of the National Geologic Mapping Program that addresses geologic mapping in areas of mutual Federal and State high priority. However, the Federal geologic mapping component constitutes the core of the new program; it is within this component that most of the Nation's geologic mapping is conducted, as well as maintaining the related specialized expertise such as paleontology and isotopic dating so vital to geologic mapping.

The COGEOMAP estimates given for 1987 in the above table are now fully known: $1,300,000 in USGS funds have been provided for cooperative geolcgic mapping and States have provided $1,630,000 based on the amount available in the USGS program. In addition, COGEOMAP appropriations provide $200,000 to the State geophysical map project (not included on the table).

In FY 1988, preliminary indications are that the States will offer close to $3.0 million of proposed joint projects under COGEOMAP.

Question: Why are you decreasing your emphasis in this program?

Answer: The Geological Survey considers COGEOMAP to be an extremely important component of the National Geologic Mapping Program and does not intend to decrease its emphasis. The funding base at the initiation of COGEOMAP in FY 1985, $1.0 million, has remained constant. The proposed reduction is consistent with the need to reduce the Federal deficit.

Question: Are States replacing your expertise or moving ahead without it?

Answer: Most State projects that receive reduced funding are curtailed but, in some cases, States carry on without matching Federal funds.

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

NATIONAL MAPPING PROGRAM
Reduction of EROS Program

Background: The Geological Survey is once again proposing to reduce the EROS (Earth Resources Observation Systems) program in FY 1988 by $2 million. (Note: This high technology program is authorized not only to cooperate with the National Oceanic and Atmospheric Administration and the private sector to process, archive and distribute land remote sensing data acquired form civilian Earth orbiting satellites, but also to support other Interior activities such as archiving and distributing aerial photographs and earth science data sets, image mapping, etc. The majority of this work is carried out by the EROS Data Center near Sioux Falls, South Dakota. However, the TGS Technology, Inc., (a part of Pan Am World Services) in Mississippi provides scientific and technical support services for the Center in Sioux Falls. The projected cut of $2 million would directly impact this Center's activities and jeopardize many of the 350 jobs, half of which are professional scientists and engineers.) Reduction of the EROS budget could be detrimental to the Data Center in Sioux Falls and to Mississippi's research efforts in this area.

Question: What is the purpose of this proposed $2 million reduction for the EROS program?

Answer: The proposed $2 million reduction for EROS is consistent with the Adminstration's attempts to reduce Federal expenditures. EROS Data Production and Dissemination activities will be reduced by $1,000,000. Funding for EROS Applications and Research activities will be reduced $1,000,000.

Question: Dr. Peck, in your prepared statement, you mention that the proposed funding reductions for the National Mapping Program will result in delays in completing some ongoing efforts and deferrals of lower-priority projects in some activities. What is the criteria for determining "lower-priority projects?" If additional funds were provided, which of the "lower-priority" projects would receive attention?

Answer: The criteria for determining the priority of projects and activities are assessments of importance of projects to the operational mission of the USGS; information requirements of cooperating Federal agencies; potential of new and unique applications techniques; and the utility of Survey data bases to solving problems of national importance. Those projects having joint or multiple agency high priority, or coop funding arrangements would be added back first.

SIDE-LOOKING AIRBORNE RADAR

Background: For FY 1986 and 1987, the Committee appropriated $2 million for the continuation of acquisition of mapping data using side-looking airborne radar (SLAR). The Mississippi embayment region, the Black Warrior basin, the Black Hills, and Igloo areas of South Dakota were previously identified as appropriate areas for SLAR coverage. (Note: The Committee added this language at your request.) For FY 1988, no funds have been requested for SLAR.

Question: Committee language identified the Mississippi embayment region, the Black Warrior Basin, the Black Hills and Igloo Areas of South Dakota as appropriate areas for SLAR coverage. What is the status of SLAR radar mapping coverage in these targeted areas?

Answer: The area of the North Louisiana Salt Dome Basin and part of the Mississippi Salt Dome Basin within the Mississippi embayment has been identified as an acquisition site for the FY 1987 program. The SLAR data for the Black Warrior Basin as well as the Black Hills and Igloo area have been acquired and are in the public domain.

Question: Specifically, has any SLAR radar mapping coverage taken place in Mississippi? If not, when does the Agency plan to do this?

Answer: SLAR coverage is not yet available for Mississippi. But, it is anticipated that a contract to acquire SLAR data will be awarded in August of this year, and SLAR data of part of the Mississippi Salt Dome Basin within the Mississippi embayment will be collected this fall.

WATER RESOURCES INVESTIGATIONS

Background: I understand that the Environmental Protection Agency, with cooperation from USGS, will soon be conducting a nationwide study on the effects of pesticide contamination in drinking-water wells. The pilot study, beginning this summer, will be conducted in three States: California, Minnesota, and Mississippi. This survey of pesticides in drinking-water wells will be a critical part of our overall effort to better understand and characterize agricultural contamination of ground water.

Question: What will USGS involvement be in this study?

Answer: The USGS and the Environmental Protection Agency (EPA) have discussed several potential collaborative efforts to assist in achieving comparability of results and data from their survey and the NAWQA pilot studies. For example, the USGS laboratory is adapting many of the analytical techniques and methods that EPA will be using in their pesticide survey. In addition, the USGS can provide assistance in the use of various data organization and analysis procedures.

Question: Do you readily have available the data and mapping which will be necessary to complete the study, or do you anticipate having to produce more maps for this study? If additional mapping is necessary, does your budget include funds for this? If not, what additional funding would be needed?

Answer: The USGS does have readily available some of the data and map products that will be used by EPA in conducting their pesticide survey. For example, a wide array of topographic, geologic, depth to water table, and other USGS maps will be used by an EPA contractor to map an index of vulnerability over 90 counties included in the EPA survey. In addition, the USGS is exploring opportunities with EPA to provide assistance in several data organization and analysis techniques. For example, the USGS has considerable experience with Geographic Information Systems which could be of use to EPA in deriving some of the map products needed in the design and conduct of their survey. The question of funding has yet to be explored with the EPA.

Question: What is the anticipated date of completion of this study?

Answer: Our understanding is that EPA plans to complete sampling and analysis over a period of 2 years from fall of 1987 through 1989, with a full report probably completed in fiscal year 1990.

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Question: In FY 1986 and FY 1987 Congress appropriated $1.5 million per year to study erosion along the Louisiana coastline. This study is intended to be a five year study; however, the Administration has not requested any additional funding for FY 1988. Why did you not request any funding for FY 1988?

Answer: In an effort to curtail the Federal deficit, the USGS did not request additional funding in FY 1988.

Question: As you know, the Louisiana coastline is eroding at an alarming rate (50 square miles per year). Does it not make sense to complete this study in a timely manner so that we will have reliable data upon which to base mitigation activities?

Answer: The data and initial results obtained during FY 1986 and 1987 will provide some useful information for other agencies to use in developing mitigation recommendations. Unfortunately, due to the Federal deficit, continued work to provide a thorough analysis of erosion processes will not be possible.

Question: If Congress appropriates $1.5 million for the third year of the study, how will the USGS spend this money? Please give me a complete breakdown of the activities that will be funded and indicate whether such activity is new or a continuation of something that was begun in a previous fiscal year?

Answer: Should Congress decide to appropriate $1.5 million for the third year of the study, the following activities would continue or be initiated:

- o Regional framework studies would continue including seismic survey and coring of offshore sediments.

- Documenting changes to barrier islands would continue including periodic and post-storm aerial surveys.
- Development of models of erosion due to sea-level rise would continue.
- Overwash field experiments would continue.
- Transfer of study results to engineers and coastal managers would continue.
- Development of models of longshore transport in sand/mud environment would begin.

SUBCOMMITTEE RECESS

Senator Reid. This subcommittee will stand in recess until the hour of 2 o'clock, tomorrow, Thursday, April 23, in room SD–192, at which time we will review the budget estimates for the Department of the Interior, Office of the Secretary and Office of the Solicitor.

[Whereupon, at 3:42 p.m., Wednesday, April 22, the subcommitte was recessed, to reconvene at 2 p.m., Thursday, April 23.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

THURSDAY, APRIL 23, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Harry Reid presiding.

Present: Senator Reid.

DEPARTMENT OF THE INTERIOR

OFFICE OF THE SECRETARY

STATEMENT OF JOSEPH W. GORRELL, PRINCIPAL DEPUTY ASSISTANT SECRETARY, POLICY, BUDGET AND ADMINISTRATION

ACCOMPANIED BY:

- **MARVIN E. WHITEHEAD, BUDGET OFFICER, OFFICE OF THE SECRETARY**
- **ANTHONY L. ITTEILAG, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR**

BUDGET REQUEST

Senator REID. The subcommittee will come to order.

One of the things I have learned in the Senate, things start on time. Really, I don't know, maybe it is because there are so many members, but things don't start on time over there. But we had a vote, and that is why I am late now.

This is the time scheduled for the Department of the Interior and Related Agencies Subcommittee to hear testimony on fiscal year 1988 budget requests of the Office of the Secretary, the Office of the Solicitor, and the Office of the Inspector General of the Department of the Interior.

Testifying first on behalf of the Office of the Secretary will be Mr. Joseph W. Gorrell, Principal Deputy Assistant Secretary for Policy, Budget and Administration.

The fiscal year 1988 budget request for the Office of the Secretary is $50,976,000, which is $1,160,000 above the level in the current year.

The request for the Office of the Secretary represents nearly a 20 percent increase over the fiscal year 1987 appropriation.

PREPARED STATEMENT

Again, welcome to the committee, Mr. Gorrell. We have your prepared statement which, in the interest of saving time, will be inserted into the record in its entirety.

[The statement follows:]

Statement of Joseph W. Gorrell

I appreciate the opportunity to appear before you today in support of the 1988 Budget for the Office of the Secretary, Department of the Interior.

The Department is requesting appropriations totalling $50,976,000 to provide executive direction, coordinated policy development and oversight in line with current Administration initiatives and Congressional direction to ensure the efficient management and operation of Departmental activities.

Leadership Change

In carrying out these activities the Secretary created the position of Chief Operating Officer of the Department in late February. The Chief Operating Officer will serve as the principal official who assists the Secretary in supervising and administering the Department on a day-to-day basis.

Salaries and Expenses

I would like to explain the changes proposed by appropriation between the 1987 program and the 1988 request.

The Department requests an increase of $8,160,000 and 35 workyears from the 1987 appropriated levels to finance executive direction and management of the Department's activities, and to carry out the responsibilities of this Cabinet level office. Of the $8,160,000 increase, $3,919,000 is for program increases with the balance of $4,241,000 for nondiscretionary costs. The changes are detailed as follows:

Nondiscretionary Increases ($4,241,000)

+$1,170,000 for increased GSA office space costs;

+$113,000 for net increased costs in Employee Compensation Payments (+$143,000) and Unemployment Compensation Payments (-$30,000) to the Department of Labor;

+$1,044,000 for the full year cost in 1988 of the January 1987 pay increase;

+$1,914,000 for the full year cost in 1988 of the Federal Employees Retirement System (FERS) retirement costs;

Program Increases ($3,919,000)

+$746,000 and 5 workyears to strengthen the Department's regional emergency preparedness capability and maintain and update Superfund regulations for assessing natural resource damages;

+$379,000 and 6 workyears to establish a Departmental Budget Execution Office to provide for the enhanced review and analysis on a selective basis of the use of the Department's appropriations;

+$350,000 and 6 workyears for the Office of Hearings and Appeals to handle:

- o the increased caseload resulting from the passage of the White Earth Reservation Land Settlement Act of 1985 (P.L. 99-264) which will resolve recent disputed titles of lands formerly owned by White Earth Indians;

- increased appeals resulting from proposed rule changes by the Bureau of Indian Affairs; and
- the increased backlog of the Interior Board of Land Appeals;

+435,000 in Central Services for consolidated ADP procurement to provide for microcomputer purchases and related software and other supplies to improve efficiency and operations throughout the Secretariat;

+$2,009,000 and 18 workyears applied to offices throughout the account to provide for an effective level of operations for these offices, consistent with predicted workload and service requirements anticipated in FY 1988.

Resources previously included under the Office of Information Resources Management have been realigned to separately display two new organizational entities, Library Services and Management Analysis.

In addition, we are requesting that the title of the appropriation account "Office of the Secretary" be changed to "Salaries and Expenses." This title has been used in previous years, and it more properly reflects the nature of the account.

The Department is proposing to eliminate the funding limitation imposed on the immediate Office of the Secretary in the 1987 appropriation language. In administering this limitation in FY 1987, we have found that it limits our ability to respond to normal fluctuations in resources requirements. We hope the Congress will not impose this restriction in FY 1988.

Construction Management

This appropriation provides for the expenses of the Office of Construction Management in an oversight and monitoring role to assist the bureaus and offices of the Department in planning, constructing and operating facilities. Since 1979, this program has focused its efforts on the Bureau of Indian Affairs (BIA) by providing direct and contract support in development and implementation of operational improvements in the BIA facilities program.

No funds are requested under the Office of the Secretary in the FY 1988 Budget for this program since it was proposed for transfer and integration within the Bureau of Indian Affairs facilities management program. However, consistent with a recent letter from the House Appropriations Subcommittee, we are preparing a plan which will address specific steps to be taken to complete the improvements of the facilities program. The resource requirements to implement this plan will be determined also.

Aviation Management

During the spring and summer of 1986, the Department experienced 14 aircraft fatalities. These led to a decision to review Interior's aircraft management and safety procedures. As a result of this review, we are undertaking several actions. A full-time director of the Officer of Aircraft Services (OAS) has been selected and his papers are at the Office of Personnel Management for final approval. (Previously, for several years, the OAS director had a dual responsibility for OAS and the Boise Interagency Fire Center.) We have also increased the OAS program and staffing with respect to training and safety and we have reconstituted the Aviation Management Advisory Council consisting of two members from each Bureau. We are increasing our aviation evaluation efforts by assisting Bureaus in developing their own aviation management and accident avoidance plans. In addition, the Department is preparing an Interior Accident Avoidance Plan which will be implemented within the Department.

Management Improvements

The Department has maintained a substantial management improvement program and has recently added a broad and substantive productivity improvement component. I would like to highlight some of the efforts that are underway.

- Financial Integration Review for Management (FIRM): The FIRM initiative began as an effort to establish a sound Departmental strategy to improve financial operations. FIRM was undertaken for several reasons. First, our financial systems are old and cannot communicate with each other. In order to provide management with better data for making decisions, these systems must be improved. Second, the reduction in the number of systems (13 administrative accounting systems and 30 payment centers) will lead to efficiencies. Most of these systems are based on 1960/1970's technology which cannot provide for improved financial operations without major systems modifications. Moreover, they utilize different hardware, coding structures, and software. The purpose of FIRM is to implement a standardized administrative accounting and payment system for the Department to be operated at two locations. Within the standardized system, unique bureau requirements related to budget structure and geographic locations will be preserved. The Geological Survey has been chosen as the lead agency for this project with Departmental oversight. For FY 1987, we have requested, and the House Appropriations Committee has approved, supplemental funding of $2 million for FIRM in the Geological Survey budget. We hope the Senate will concur with this proposal. We will also be submitting a budget amendment to the Office of Management and Budget for $2 million to continue this initiative in 1988.

- Payroll/Personnel System (PAY/PERS): System development for Pay/Pers was initiated in 1976 and implemented in 1979 for the Bureau of Land Management, the Bureau of Reclamation, and several small agencies. In 1982, it was selected as the single Departmental payroll/personnel system. All Interior Bureaus and three non-Interior agencies were converted to the system in 1984. Today this one system services over 116,000 accounts for all Bureaus of the Department and 3 other agencies (the Education Department, the Selective Service System and the Federal Labor Relations Administration). There is now the need to upgrade the system to (1) provide better access to existing data, (2) add personnel management data to the system, and (3) control ever increasing maintenance costs for the current system. The Department is considering a proposal to adapt the Department of Agriculture's software system for this purpose.

- Consolidated Payroll Office: The Department completed the consolidation of payroll offices in December 1986. This effort has reduced FTE's for our bureaus from 205 to 150 and has reduced overall costs by about $1 million per year.

- Unemployment Compensation: An initial review by the Department's Office of Financial Management identified certain internal control weaknesses in our unemployment compensation process. Problems included documents not being forwarded to appropriate locations, failure to appeal improper claims, and failure to certify data to states. To correct these problems a contractor was engaged. Between January 1, 1986 and the end of February, 1987, the Department has saved approximately $2.1 million, primarily through appealing improper claims.

- Overtime Costs: In 1985 the Department spent more than $52 million for overtime. Efforts to improve the management and control of overtime have resulted in savings of approximately $2.9 million, or 16%, through the first half of FY 1987, as compared to the same period in FY 1986. The reduction expected for the year is between $5 and $7 million.

- Cash Management: Improved cash management has also been one of the Department's initiatives. Cumulative savings to the Government from FY 1983 through FY 1986, as measured by Treasury, total $18.5 million. Savings of an additional $3.4 million are estimated for FY 1987.

- Productivity Improvement: In 1986 the Management Improvement Program was expanded to include a new Presidential initiative on productivity improvement. Since this program focuses on improving the delivery of products and services to the public, we are reaching out to our managers in the field where we think the greatest opportunity for innovation exists. To increase the involvement of field managers, we are piloting a Productivity Enhancement Funding Program patterned after experience in the Department of Defense (DOD). Mr. Chairman, we propose to use $20,000 within our FY 1988 appropriation request for the Office of the Secretary to provide awards of $10,000 each to recognize employees of two units whose projects demonstrate the highest rate of return and the most significant improvement in quality or timeliness in service delivery. After developing ~~a~~ record of accomplishment, and demonstrating the success of the program over the next two to three years, we may consider a departmental funding arrangement similar to that used in the DOD to institutionalize the effort.

Administrative Provisions

Appropriation language is again requested to provide authorization for the replacement of eight aircraft for the Office of Aircraft Services fleet in Alaska. This estimate provides for general replacement of older aircraft and some contingency in case of destruction of existing aircraft.

This concludes my opening statement, Mr. Chairman. I appreciate the opportunity to discuss these matters with you. I am available to answer any questions this Committee may have with regard to this request.

INTRODUCTION OF ASSOCIATES

Senator REID. What I would like you to do is introduce your associates for the subcommittee, and if you could briefly outline your testimony, we would appreciate it.

Mr. GORRELL. Thank you very much, Mr. Chairman.

On my left is the budget officer for the Office of the Secretary, Marvin Whitehead.

On my right, your left, is Mr. Anthony Itteilag, Budget Director for the Department of the Interior. He oversees the entire budget operation for the Department.

We are very pleased to be here today to present the budget for the Office of the Secretary. As you have already indicated, we are asking for $50,976,000. It is a significant increase from the fiscal year 1987 enacted amount.

LEADERSHIP CHANGE

Before I get into the details of that, I would like to advise the committee of one event that has taken place in the Department. That is what I describe here as a leadership change.

As you probably know, our Under Secretary resigned from the Department in late February. The Secretary established a chief operating officer position. That position is now reporting directly to the Secretary and is the person that is overseeing the daily operation of the Department.

Senator REID. If we could get into some questions about that, if you don't mind?

Mr. GORRELL. Not at all, yes, sir.

Senator REID. It was in February that the Secretary signed that order which established the position.

Which of the Under Secretary's functions were transferred to the new so-called chief operating officer?

Mr. GORRELL. At the time of the establishment of that particular Secretarial order—and I would be pleased to incorporate it in the record at this time——

Senator REID. Without objection, we will incorporate the order.

[The information follows:]

ORDER NO. 3117

Subject: Establishment of chief operating officer position.

Sec. 1 *Purpose*. This order provides for the establishment of the position of chief operating officer of the Department. This action is taken pursuant to the authority contained in 5 U.S.C. 301, 302; 43 U.S.C. 1456; and section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262).

Sec. 2 *Establishment of position*. The position of chief operating officer of the Department is hereby established. The chief operating officer serves as the principal official who assists the Secretary in supervising and administering the Department.

Sec. 3 *Delegation of authority*.

a. All the authority of the Secretary of the Interior is hereby delegated to the chief operating officer.

b. This delegation is subject to the following limitations: (1) the general limitations prescribed in 200 DM 1, except 200 DM 1.6D, apply to this delegation; (2) this delegation does not include the authority delegated to the Secretary by section 1 of Executive Order 10250, as amended; and (3) this delegation does not include the authority delegated to the Secretary by section 204(a) of Public Law 94-579, relating to the withdrawal or reservation of certain lands by the issuance of public land orders.

c. In the absence of, and under the conditions specified by the chief operating officer, a deputy chief operating officer is authorized to exercise the authority of the chief operating officer.

Sec. 4 *Effective date.* This order is effective March 1, 1987. It will remain in effect until its provisions are converted to the Departmental Manual. Such conversion will take place by December 31, 1987, at which time this order will expire.

Date: February 27, 1987.

CHIEF OPERATING OFFICER

Mr. GORRELL. What that order does is essentially delegate to the chief operating officer the authority to serve as the principal official in supervising and administering the Department on a day-to-day basis.

At the same time that Secretarial order was signed, there was a companion Secretarial order that withdrew the delegations from the Under Secretary's. So at this time in the life of the Department there exists in statute the position of Under Secretary, which is vacant, but there are no delegations there, and all of the people that were part of the Under Secretary's staff have either resigned or transferred to other assignments in the Department or in Government.

UNDER SECRETARY'S POSITION

Senator REID. Are you saying that there are no functions that remain with the Under Secretary's office?

Mr. GORRELL. That is correct at this time.

Senator REID. Do you know of any plans to fill the Under Secretary's position?

Mr. GORRELL. I don't have any direct knowledge of that. I understand that there are efforts underway between the Secretary and the White House. They are having conversations about it, but I do not have personal knowledge.

Senator REID. If the chief operating officer has essentially assumed the duties, the mantle of the Under Secretary, a position which can only be filled with the advice and consent of the Senate, hasn't the Secretary made an end run around the Senate by creating a parallel position which doesn't require confirmation?

Mr. GORRELL. I think not, Mr. Chairman. I think what we have is the Secretary's personal desire and own person, if you will, that he is very comfortable with in terms of confidence and trust. He has delegated the job of managing the day-to-day operations of the Department to that person. The chief operating officer reports to the Secretary who, as you know, is in an advice and consent position.

In case the Secretary is gone from the Department, either for a day or for a trip, we have a natural order of succession in the Department. With the Under Secretary post being vacant, the next person in the succession is the Solicitor, who would be acting as Secretary in the event the Secretary were not present.

The chief operating officer in effect would report then to the Acting Secretary, in this case the Solicitor, who is a Presidential appointee with advice and consent from the Senate, and the acting role goes on to the other Assistant Secretaries in the succession order.

Senator REID. Wouldn't it follow that every time a person couldn't be confirmed couldn't you just create a chief operating officer and just avoid that?

Why couldn't this be done in every case?

Mr. GORRELL. I would suppose that could be true. I think, though, what we need to look at here are the particular circumstances that we have before us, and that is that we do have a resignation. We have a vacancy. It clearly takes an amount of time, sometimes a substantial amount of time, to work through the processes of identifying, nominating, and confirming a person.

In the meantime, there is the Department of the Interior that has many ongoing programs and requirements, and the Secretary needs somebody that he can turn to and be confident to manage those day-to-day operations.

Senator REID. My own suggestion would be that I think for all of us who want to follow the Constitution that this is certainly, in appearance at least, a way to try to avoid the constitutional impositions that we all have, and I would ask that you take a message to the Secretary that we would like to know whether he plans to fill this job, or the President does, if he is in communication with the White House, and report in writing to the subcommittee in that regard, OK?

Mr. GORRELL. I will be very happy to carry that message.

SECRETARY'S IMMEDIATE OFFICE

Senator REID. The budget request for the Secretary's immediate office is nearly 35 percent higher than the current level in terms of dollars and more than 25 percent higher in terms of full-time equivalent staff.

Can you provide the subcommittee with justification for these increases, more so than is contained on page 25 of the budget narrative?

Mr. GORRELL. I would be very happy to do that, Mr. Chairman.

In our account, which we have asked to be described as salary and expenses, we have requested an $8,160,000 increase and the 35 work-years that you have mentioned there.

I am sorry, you are asking about the Secretary's immediate office only?

Senator REID. Yes.

Mr. GORRELL. I am sorry.

Senator REID. Sorry about that.

Page 25 is where you have it now. We would like a little more than that.

Mr. GORRELL. Our base number here is $1,722,000. We are estimating $2,136,000. What we have asked for here are an additional seven FTE's, actually because of the vacating of the Under Secretary's office in fiscal year 1987. There is actually an assumption here that the Under Secretary's office would be replenished, if you will, in fiscal year 1988, and that accounts for four of them.

In addition to that, there are three additional FTE's that would work on matters relating to the Secretary's immediate office, and basically what we have tried to outline on page 25 are the general categories of things, activities that would be undertaken there. I think what we will see in fiscal year 1988, particularly, is a need for the Secretary to get more involved in matters like the 5-year OCS plan. It will take a great deal of his time in explaining and describing that kind of activity.

Senator REID. Excuse me. My question, I guess, though, if this is the justification for it, where is the money coming from to pay for the chief operating officer, or whatever the person is called?

Mr. GORRELL. When this budget was put together, we had knowledge of the vacating of the Under Secretary's office. The person that has become the chief operating officer was budgeted at that particular time. That person was the counselor to the Secretary, and so what we have done is, if you will, made the counselor to the Secretary now the chief operating officer. So there would not be a conflation necessarily of filling the counselor's job.

MANAGEMENT IMPROVEMENTS

Senator REID. The budget justification on page 24 notes the Secretary's involvement in management improvements designed to produce up to $40 million in annual savings. The question the subcommittee has is what are these specific savings, and exactly what has been the Secretary's involvement in this to date?

Mr. GORRELL. Mr. Chairman, the estimate of management savings and cost avoidance involves a large number of initiatives where we are estimating this $40 million in savings. Actually, it is slightly over that. There are a number of items here which I would be glad to recite for you.

I would indicate, for example, in the Geological Survey we are planning a consolidation of map distributions and operations, 97 FTE's and $4.4 million. Basically, what this does is consolidate four distribution facilities, three in Virginia and one in Colorado, into a new facility in Lakewood.

That is an illustration of one activity.

Senator REID. OK. My question, after having been given this one example, is why will these savings be retained by the various bureaus and agencies for program enhancements? Shouldn't these funds be returned to the Treasury as a savings to the taxpayers so we can spend it in other places?

I guess what I am saying is, isn't this a function of this committee and Congress generally to program and spend these moneys?

Mr. GORRELL. Yes; as we put the budget for fiscal year 1988 together, Mr. Chairman, one of the incentives, if you will, that we try to offer our program managers, bureau heads, and Assistant Secretaries was this:

We get a planning allowance from OMB that we must stay within, which ultimately becomes the President's budget allowance for our Department. The incentive that we attempted to create was this. If you as a bureau head will figure out some ways to become more efficient in your operation, instead of taking that money away from you as an easy budget cut, we are going to say to you that we will, one, encourage you to find some efficiency measures in your agency and then two, you keep that money to use for programmatic purposes.

I think most of the bureau heads that come before this subcommittee would tell you that they probably could use more money for some programs. What we are trying to do is at least recognize some of that and give them some encouragement to create some efficiencies and have something that would be worth going after and doing.

It is a pure carrot kind of operation in that respect.

SECRETARY'S IMMEDIATE OFFICE

Senator REID. Going back to the request for an additional 7 FTE's in the Secretary's immediate office, does this figure equate to 7 new positions to be filled for an entire year, or might the Secretary plan to hire, say, 14 new employees with an average hiring date some 6 months into the fiscal year?

You see the difference?

Mr. GORRELL. Yes; I do. I cannot answer that question specifically at this time, but clearly seven FTE's are an estimate of the amount of increased FTE use that we would expect in the Secretary's immediate office in fiscal year 1988. Clearly, we will not be able to hire all those people on the first day of October. The number of people could range up to 8 or 10. I doubt if it would go to 14.

Senator REID. You see, the problem we have is that next year when you come back we are going to start with 14 employees and not 7, and there are other agencies who do this when we authorize new positions and they don't fill them till late in the year, and then we are stuck with not only the 7, or whatever the case might be, but the additional, and then the argument is, of course, we can't be letting new people go.

I guess what I am saying is it would be appropriate for you to also make a determination as to what the plan is now and write and tell us what the plan is now in as much detail as you can.

Mr. GORRELL. All right, we will be happy to do that. It will be an extrapolation of what the staff on board now is in the Secretary's immediate office and the best we can judge and estimate at this time what additional staff will be added in fiscal year 1988, but we will be happy to do that. The Department has no intention to hire anymore than seven employees to fill the seven additional positions in the fiscal year 1988 budget. We plan to do this hiring as close to the beginning of the fiscal year as possible.

ENVIRONMENTAL PROJECT REVIEW

Senator REID. The budget proposes, the current year's budget, where, if at all, was this function? If so, why is there not an offsetting reduction in the headquarters' budget?

Mr. GORRELL. To answer that latter part first, Mr. Chairman, what we saw in the office at field level, which is where those activities have to be carried out, we would have the concept of a lead bureau, a regional office for, say, the Fish and Wildlife Service or a State office of the Bureau of Land Management. It would have as a collateral duty this emergency preparedness kind of activity.

We have seen an increase in the activity as a workload factor. We now have in the Office of Environmental Project Review, which under the Assistant Secretary for Policy, Budget and Administration, nine regional environmental officers throughout the United States.

Those folks, except for the Secretary's personal representative in California, are the only people that are a field element of the Office of the Secretary. We find them extremely useful for the purpose of coordinating environmental impact statements, emergency preparedness kinds of activities, things to do with Superfund—oil spills, that sort of thing. Each one of those nine people has a secretary. So we essentially have a two person office.

Now, what this proposal does essentially is recognize that we have additional work and workload in the emergency preparedness area and in this whole area of oil spill, radiological monitoring, et cetera.

So what we have tried to do is recognize that workload and add an additional five FTE's. We really expect to have in the end 10 people in that activity, 1 additional in each one of the environmental offices around the country and 1 additional person in Washington.

We are funding it through a combination of direct appropriations which we are asking for here, plus we also get some money from the Environmental Protection Agency to do this.

So essentially what you will see there is a three person office in each one of these areas.

The last point I would make is that at the field level the regional environmental officer is a person that is known to all of our bureaus. So when we have a disaster, an oil spill, whatever, there is a place where field people can go and trade information with other Interior bureaus and other departments.

It has worked out very well for us. These folks have been established there for a number of years, and it seems to be a good management mechanism to do this job. It is far superior, we are convinced, than having a lead bureau at field level.

Senator REID. It would seem to be impossible to predict where emergencies might occur. While oil spills could threaten resources off the coast, fire and floods could just as well occur anywhere on the land.

Given this uncertainty with respect to future emergencies, wouldn't it be more appropriate to centralize the preparedness function?

Mr. GORRELL. If a bureau person were asked that, he would say it is already centralized by having a central person or an office in several field locations.

Senator REID. As you just explained it?

Mr. GORRELL. But I think we have done a fair amount of centralizing there, and there is a coordination mechanism from the Office of the Secretary that goes to those field offices. So I think to some extent we have indeed centralized or are proposing to do that.

OFFICE OF BUDGET EXECUTION

Senator REID. The budget requests six additional FTE's and $379,000 to establish a departmental budget execution office. Of course, you are especially qualified to testify on this matter, Mr. Gorrell, as you were the previous budget officer for the Department.

How is the monitoring of spending plans presently accomplished at the Secretary level, and why is the new office needed to accomplish this function?

Mr. GORRELL. Mr. Chairman, when my former boss, Assistant Secretary Riso, came into the Department about 2 years ago, one of the first questions that he asked me was, Joe, how do we know how much money we are spending and are we spending it on the things that we said we were going to?

And I looked at him honestly and said, we do not in the Office of the Secretary, have a mechanism that does that as a department in a systematic fashion.

He asked me to develop the concept of an Office of Budget Execution. That is the proposal that you have before you at this time.

What we hope to do, Mr. Chairman, with the Office of Budget Execution is review and examine, not in an audit fashion as the inspector general would or not in an accounting fashion as our Office of Financial Management would, but in a programmatic and management mode look at selected programs and see how they are doing, and our questions will be very simple and very direct.

How much money did you get for *x* activity and what did you say in the budget justifications or what was said in the subsequent House-Senate or conference reports about that? What was the expectation both from the administration and from the Congress about what was going to happen there?

We do not really have now a systematic way to answer that question. So what I tried to do and what this estimate tries to do is to start in a very modest way to address those kinds of questions.

The Office of Budget, for example, really picks up the budget activity at the time that our budget estimates go to OMB. The activity that the Budget Office has—that Director Itteilag has—really focuses on the management of that budget process from the time a budget arrives until the cycle is completed with the Congress and there is enactment of the appropriation act.

The only real budget execution activities that are undertaken after that are, one, the request for apportionments from the Office of Management and Budget, or reapportionments, and then the work with the committees on reprogrammings. That is significant but in itself will not address the question that Mr. Riso posed to me.

The Office of Financial Management deals primarily with the accounting aspects and staying within the appropriated limits so there is no violation of the Anti-Deficiency Act, either on a quarterly or annual basis.

Therefore, what we really have here is a new effort. It is something that has not gone on in the office, any of the offices. We have identified it as a separate entity for a couple of reasons.

One, we wanted to highlight it in our presentation in fiscal year 1988, which we have obviously done, and we wanted to report directly to the Assistant Secretary for a while until we worked out the procedures and decided what kind of data bases we wanted to build and what kind of studies we wanted to undertake. Those are the primary features that we considered.

Senator REID. Would this Budget Execution Office file periodic reports on their findings, and will these be made routinely available to the subcommittee?

Mr. GORRELL. Yes; we will work out with the office director a work plan for each year and figure out the kinds of data and studies that we will undertake, and we will be more than happy to keep the committee advised on any of those activities.

Senator REID. Mr. Gorrell, thank you very much for your testimony.

Mr. GORRELL. Thank you, Mr. Chairman.

AVIATION MANAGEMENT

There is one thing, if I may, that I would like to highlight from my opening statement. It is something that came to us last year as a particular management problem. That is our issue on aviation management.

Last year, the Department of the Interior experienced an all-time high in the last 12 years of 14 fatalities in three separate aircraft accidents. We are very concerned about that.

Senator REID. I have flown some of your airplanes. I am glad you told me that. [Laughter.]

Mr. GORRELL. We have a good Office of Aircraft Services. What we had in Boise before was a person that handled not only the Boise Interagency Fire Center but also the Office of Aircraft Services. We have decided that we needed one person for each job. We are in the process of doing that. We have just reinstated the Aviation Council in each one of the bureaus, and we will have a couple of people on that.

The Secretary has met with us and has put his support and interest behind that particular operation. I am optimistic and hopeful that we will not have another year like we had last year. We are going to make very sure that we have good, solid aviation management programs in each of our bureaus and have a good accident avoidance plan.

I wanted to call that to the committee's attention and tell you that is something that, as I say, we are extremely concerned about.

Senator REID. The Department plans to use approximately $50 million for aircraft services in 1988. Is there money there for the purchase of new aircraft?

Mr. GORRELL. Yes; we have asked in our administrative provisions, Mr. Chairman, to replace eight of the aircraft that are owned by the Office of the Secretary. We have a fleet of 80 right now. Our plan is to ask for replacement of about 10 percent, or eight aircraft. I have the details on four of those that I know specifically that we would like to replace. The other four, we still have not made final decisions on those yet, but, yes, that is our plan for fiscal year 1988.

ADDITIONAL COMMITTEE QUESTIONS

Senator REID. Thank you for your testimony.

We have numerous other written questions that we will submit to you. We appreciate your responding as soon as you could to the subcommittee.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Chief Operating Officer

Question: What are the total number of FTE's and dollars assigned to support the Chief Operating Officer in FY 1988?

Answer: In addition to the Chief Operating Officer (COO), there will be five FTE's to address a broad range of day-to-day policy issues. There will be a deputy and her secretary; also one FTE will do work on staffing advisory committees on behalf of the Department, and another will assure follow-up and quality control on Secretarial commitments to members of Congress, executive branch officials, state and local officials and private citizens. These tasks would be carried out regardless of the reporting relationships established in the Immediate Office of the Secretary. Another individual will function as executive assistant. Thus the total planned direct costs for the COO are six FTE's with associated costs of $335,000.

In addition to those direct costs, the Chief Operating Officer will make intensive use of the Science Advisor to the Secretary, the Principal Deputy Assistant Secretary - Policy, Budget and Administration and his staff, and the program Assistant Secretaries and their staffs to carry out day-to-day operations.

Water Project Planning and Construction

Although the Bureau of Reclamation is not under the jurisdiction of this subcommittee, would you describe briefly the major redirection in water project planning and construction?

Answer: The administration is strongly committed to more timely completion of water projects that are currently under construction. In support of that objective, the budget requests new funding of $700.2 million for construction projects, an increase of $98 million over the 1987 estimate. The increase is required to finance features of projects in which the Federal government has a major commitment. At the same time, the request reflects a major new policy shift aimed at completing construction projects substantially underway while postponing or constraining funds for projects in the earlier stages of construction.

Historically, numerous projects have competed for limited funds. In order to help achieve the Gramm-Rudman-Hollings deficit elimination goal by 1991, the Bureau's budget will remain restrained for future years. Such restraints will not permit funding levels sufficient to keep all projects on the most efficient schedules. Rather than uniformly reduce the funding for all projects or terminate projects in which there have already been a substantial Federal financial investment, the Bureau has reviewed its entire construction program to identify those projects or features of projects that can be brought to completion more expeditiously. In 1988, the Bureau is proposing to concentrate its resources to expedite construction of certain projects while decreasing or postponing funding for others. As work is completed on an expedited basis, the Bureau plans to return in the future to projects that have been curtailed earlier.

The Budget proposes $11.6 million for General Investigations Program (planning and research), a decrease of $17.8 million from the 1987 appropriation, in order to begin reducing the number of water projects competing for limited construction funding. The Department does not wish to compound existing construction project funding difficulties by planning for additional projects which would then compete for limited resources. Hence, the decreased budget for FY 1988.

Question: How will this change create additional workload for the Office of the Secretary and the Solicitor, if you can speak for him?

Answer: While we do not believe the workload of the Solicitor's office will be affected significantly, there does seem to be an effect on the Office of the Secretary with respect to preparation and justification of budget estimates, legislative and public affairs because of Congressional and media interest in the Assistant Secretary for Water and Science who provides overall supervision to the Bureau, and on the Secretary and his immediate staff because of the Secretary's personal involvement in formulating these new policies and the intense interest in them from outside the Department.

FTEs versus New Employees

Question: Would you provide for the record a table which shows the number of positions associated with any change in the FTE request for any subactivity in FY 1988?

Answer: In the Office of the Secretary FY 1988 Budget Justification, each FTE requested is associated with an increase of one employee. It is assumed that the employees will be hired early in the fiscal year and therefore will translate into approximately one FTE each. There is no intent that the FY 1988 increases in FTEs would balloon in subsequent years to a need for higher than one-to-one employment levels.

Question: Would you also provide for our files the same information for all Interior Department agencies under the subcommittee's jurisdiction?

Answer: We polled each of the Department's bureaus and asked them to do a detailed survey of all FTEs increases. As the result of that survey, we are convinced that this approximate one for one relationship exists throughout the budget except for one bureau.

In the case of the National Park Service there is a decrease of 96 FTEs which results from a reduction of 160 positions.

Equal Opportunity

The Secretary is requesting a reduction of $227,000 and three staff years for the Equal Opportunity Office.

Question: How many FTE's are dedicated to this function throughout the department this year and how many are included in the FY 1988 request?

Answer: In FY 1987, 248 FTE's are dedicated to this function while 241 are included in the FY 1988 request.

Please provide for the record a table that shows the distribution of these FTE's by bureau and agency for both years.

Bureau	FY 1987 FTEs	FY 1988 FTEs
Office of the Secretary	25	22
Bureau of Land Management	60	60
Mineral Management Service	8	8
Office of Surface Mining Reclamation and Enforcement	4	4
Bureau of Reclamation	29	29
Geological Survey	10	10
Bureau of Mines	11	11
Fish and Wildlife Service	31	27
National Park Service	53	53
Bureau of Indian Affairs	7	7
Office of the Solicitor	10	10
TOTAL	248	241

Question: What is the present processing time for cases pending before this office and how will an eighteen percent drop in funding permit quicker resolution of these cases?

Answer: The present average processing time for the cases pending before this Office is 49.5 days.

Because of various management actions taken during FY 1986, improvements were put into effect which significantly reduced OEO workload. By delegating to the Bureaus the authority to accept and investigate complaints, it is expected that processing time will be reduced by about 50%.

Question: Would you provide for the record a table indicating how many cases were pending before the Equal Opportunity Office at the beginning of FY 1984, '85, '86, and '87, and how many are projected for the beginning of FY 1988 and '89?

Answer: The following table shows the number of cases pending before the Equal Opportunity Office at the beginning of FY 1984, ´85, ´86, and ´87, and the projections for the beginning of FY 1988 and ´89.

FISCAL YEAR	BEGINNING OF FY	NO. OF CASES RECEIVED	TOTAL WORKLOAD	NO. OF CASES CLOSED
´84	555	195	750	356
´85	394	268	662	320
´86	342	254	596	186
´87	410	240	650	250
´88	400	240	640	300
´89	340			

Program Direction and Coordination

Question: Moving to Program Direction and the immediate offices of the various assistant secretaries--what will be the impact if the base increase of $125,000 and 2 FTE´s is not provided as requested for the Assistant Secretary for Water and Science?

Answer: The office would be less able to provide effective policy direction and coordination for the three Water and Science bureaus. There are important relationships between and among the programs of these three bureaus that require direct involvement by the Assistant Secretary. This applies also to programs administered by other bureaus in the Department, and programs in other Federal agencies, the States, and industry. The Assistant Secretary´s office provides continuous oversight of programs of these bureaus, and helps identify emerging problems as well as solutions to those problems.

The office also seeks to identify opportunities for cooperative actions that cost less, are more effective, or both. The staff supports the Secretary and Assistant Secretary in fulfilling their responsibilities in relation to the varied, numerous and technically complex programs administered by these three bureaus.

Question: Similarly, what would be the impact if the base increase of $111,000 and 2 FTE´s were not provided for the Assistant Secretary for Fish, Wildlife and Parks?

Answer: The office would not be adequately funded to meet current day-to-day operating requirements. The additional funds requested fully fund current staff and related costs, as well as two additional FTE´s (lapsed in 1987), a Receptionist and a Special Assistant. Specific justifications for these positions follow:

SPECIAL ASSISTANT - SPECIAL PROJECTS

The Assistant Secretary is assigned, and otherwise is involved in, numerous projects of both short- and long-term duration. The projects range from subject matter for management initiatives requiring close coordination between subordinate bureaus, other agencies, Departmental offices and interest groups to policy issues in which analysis independent of the sponsoring bureau is necessary. Examples of these projects would include: user pay initiative (within the Department and among other agencies requiring FWS mitigation expertise), conflict resolution associated with pending 404 permits, or other initiatives such as the wetlands provisions of last year's farm bill. Independent reviews of land exchanges and acquisition proposals occur as appropriate where, for example, AS/FW analysis saved approximately $4 million relative to the acquisition of Hudson Ranch for the endangered California Condor.

RECEPTIONIST

The Assistant Secretary receives an excess of 75 calls per day and 10 to 15 pieces of correspondence per day, as well as numerous walk-in visitors. The Assistant Secretary's secretary cannot manage the phone log, calendar, and responsibilities related to putting material in priority order for his signature, respond to other requests by subordinate bureau staff, proof all personal correspondence, and maintain the correspondence log and other files without assistance. In addition, there is a need for a central telephone reception capability serving the entire office as backup to the other support staff when they are away from their desks on assignments, lunch or leave.

The receptionist would also assist in the overall coordination of the correspondence system for the Assistant Secretary. Fish and Wildlife has the largest volume of correspondence of any Assistant Secretariat within the Department. The receptionist would be the final processing point within the office. The time and demands of stamping, folding, dating, proofreading, and mailing the correspondence on a daily basis, as well as insuring that correspondence leaving the office is copied and routed to the next appropriate reviewer will also be a responsibility of the receptionist. Former Assistant Secretaries have had this reception capability.

Question: What new initiatives will be coordinated by the Assistant Secretary for Indian Affairs with the two new FTE's requested in FY 1988?

Answer: 1. Revision of contract support (indirect cost) regulations is being considered. We anticipate lengthy consultation with Congressional staff, OMB and tribes and other organizations to determine an appropriate way of obligating current policies. 2. The education initiative of involving tribes in the day-to-day operation of Indian education programs will require extensive coordination among tribes, the Bureau and local education agencies. 3. Welfare reform and the self-help initiative have been circulated to the tribes and will need additional effort to be brought to fruition. These key initiatives can bring about a major change in the economic well-being of reservations if properly developed with the tribes. 4. There is a private sector alcoholism initiative planned also. In addition to the congressionally mandated drug and alcohol program, the Bureau is developing a format for a volunteer program involving Alcoholics Anonymous. This will be a long-term effort to begin eradication of alcohol from the reservations.

Question: Why is $103,000 or nearly a ten percent increase, requested above the base for present staff of the Division of Enforcement and Security Management (p. 71)?

Answer: The $103,000 increase is for increased salary and benefit costs of current authorized staff throughout the Office of Administrative Services, not solely for the Division of Enforcement and Security Management. This will provide for full year funding of salary and benefit costs of the 22 FTE's included in the base, which are only partially funded at base levels. This increase applies to the Director's Office, Ethics, Special Programs and Enforcement and Security Management. Over the past few years, shortages in funding due to within-grade increases, career promotions and absorption of pay raise costs have been offset through lapsing positions throughout the office. The 1988 request proposes to fully fund the cost of current staffing requirements throughout the Office of Administrative Services.

Mr. Gorrell, in your statement (p. 3) you note that the Department has recently "...added a broad and substantive productivity improvement component" to the management improvement program.

Question: What are some of the principal measures of productivity in the Department and how the the senior personnel use this information to assist in program management?

Answer: We use three different types of productivity measures: quality or effectiveness measures, timeliness measures and unit costs or efficiency measures.

Question: Can you give us a few examples?

Answer: One of the best examples of an effectiveness measure is in the maintenance and construction of Indian Roads. The Bureau of Indian Affairs (BIA) expects to increase the number of miles of paved road available for use on Indian lands by 160 miles in FY 1987. The Assistant Secretary for Indian Affairs will be able to measure management progress in part by how well his subordinates meet this goal.

The Office of Surface Mining Reclamation and Enforcement (OSMRE) intends to reduce the time required to review and approve grant applications from 60 to 45 days. This is a new initiative through which OSMRE management will be able to judge the success of their initiative to improve timeliness.

The Geological Survey (GS) planned to increase the efficiency of their map distribution operations by decreasing the unit costs of distributing a map from $0.45 in FY 1985 to $0.39 in FY 1986 and $0.30 in FY 1987. Because of delays in building renovation, they were unable to implement their plans as quickly as they had intended, and their costs fell to only $0.43 per map in FY 1986. GS officials could tell from these figures that their initial changes had been positive but that further improvements were necessary.

Quality and timeliness are frequently related to efficiency. When the Minerals Management Service (MMS) improved the timeliness of its royalty payments, it decreased the amount paid in late penalties by $800,000. MMS top management could tell by this measure that their initiative had succeeded.

Question: What is the justification for a $43,000 increase in the travel allocations of the budget office?

Answer: This increase is necessary to return staff travel to about the level used prior to absorption of pay and retirement costs and travel cost increases (per diem, etc.) in the last few years. Additional information has been provided for the Committee's files.

Question: How much is presently included within the base for this purpose and how many professional staff are presently employed in the budget office?

Answer: Presently $45,000 is included in the base budget for travel. There are 25 professionals and 7 clerical employees in the budget office.

Budget Execution

Question: Could the budget formulation and execution function be better integrated if the six new FTE's were assigned to work under the budget formulation analysts for each program?

Answer: We do not believe that the suggested organizational arrangement will be the most effective arrangement at least at this time. Our experience with the formulation staff is that development, presentation, and defense of the budget is a more-than-full time, year round job. The office has one of the highest rates of overtime use, much of it uncompensated, in the

Department and the permanent workforce is regularly supplemented with interns, details, etc. during peak workload periods. The inclusion of the Budget Execution staff within this group would almost certainly cause these resources to be used for formulation purposes in order to address current workloads. Because of this situation, we believe that a separate office which has as its primary purpose, budget execution and analysis and assistance to the Assistant Secretary - Policy, Budget and Administration to be the appropriate structuring of the office.

Question: An average of $63,000 is requested for each of the six new FTE´s. Would this new office be limited to six positions or would more than six positions be funded on a part-year basis?

Answer: The office would be limited to six positions. The $63,000 per FTE includes both salaries and benefits, as well as operational and support costs including, but not limited to, space, supplies, utilities, communications, printing, travel, and equipment. The average salary costs for the six positions is estimated to be $45,000.

Question: If only six positions are intended, why do you propose to fully fund them? Won´t you have some lapse in filling these positions at the beginning of the year?

Answer: Three individuals have been identified to fill these positions and as the new fiscal year draws closer, we hope to identify others who could assist in this new office.

Aircraft Services

The Department plans to use approximately $50 million for aircraft services in FY 1988.

Question: Of this amount, how much is for the purchase of new aircraft; for maintenance activities; for storage, shelter and other airport services; for pilot training; pilot salaries; and for miscellaneous costs?

Answer: (a) Purchase of new aircraft: The replacement aircraft plan for FY 1988 includes up to eight replacements. These replacement aircraft may not all be "new aircraft" as the availability of single-engine and light twin-engine is almost non-existent. The FY 1988 replacements could be in excess of $3 million, but may be much less, depending on bureau requests. (b) Maintenance activities: Aircraft maintenance on DOI-owned aircraft operated through the OAS Fleet system should be about $1.3 million. (c) Storage, shelter and other airport services: This item will only amount to about $30,000 for OAS-owned fleet aircraft. (d) Pilot training: Salary, travel and miscellaneous expenses for line pilot training will amount to about $16,000. (e) Pilot salaries: Line pilot salary costs for OAS-hired pilots, including overtime, will amount to about $320,000 in FY 1988. (f) Miscellaneous costs: The bulk of the projected $50 million budget for FY 1988 will be paid to vendors of aircraft services. These services, which include flight time, maintenance, pilot costs, and usually aircraft fuel; will be procurred on a competitive basis through formal contracts, aircraft rental agreements, and charters. Contractual services will be in excess of $30 million and rentals/charters should exceed $11 million. The remainder of the $50 million is spent for fuel for fleet, contract and rental aircraft, as well as the necessary administrative costs supporting all of the functions outlined above.

Question: Would you provide for the record a listing of the Department's present aircraft inventory, grouped and identified by home base?

Answer: The information follows:

Anchorage	AK	N642	McKinnon G-21G Turbine
Anchorage	AK	N18363	Beech Baron E55
Anchorage	AK	N780	Grumman G-21G Turbine
Anchorage	AK	N789	Grumman 21A (Inactive)
Anchorage	AK	N87144	Cessna 402
Anchorage	AK	N9260Z	DeHavilland DC-2 Amph
Anchorage	AK	N96613	Piper PA-18
Anchorage	AK	N644R	Grumman G-21A
Anchorage	AK	N714	Cessna 185 (out of service)
Anchorage	AK	N736	Cessna 206
Bethel	AK	N740	Cessna 185
Bethel	AK	N9625R	Cessna U206
Bethel	AK	N724	Piper PA-18
Bettles	AK	N91240	Piper PA-18
Bettles	AK	N1217F	Cessna 185
Bettles	AK	N725	Cessna 185 Amph
Cold Bay	AK	N745	Piper PA-18
Dillingham	AK	N748	Cessna 185
Fairbanks	AK	N70162	Cessna 185
Fairbanks	AK	N24164	Cessna 185F
Fairbanks	AK	N1055F	Cessna 185
Fairbanks	AK	N185CA	Cessna 185
Fairbanks	AK	N9497R	Cessna 206
Fairbanks	AK	N1364P	Piper PA-18
Galena	AK	N714KH	Cessna 185
Galena	AK	N4343	Piper PA-18-150
Gulkana	AK	N78AT	Arctic Tern
Gulkana	AK	N2171F	Cessna 185
Juneau	AK	N754	DeHavilland DHC-2 Turbo-Amph
Kenai	AK	N784	Piper PA-18
Kenai	AK	N9178G	Cessna 206
King Salmon	AK	N9798Z	Cessna U206
King Salmon	AK	N32PX	Cessna 206
King Salmon	AK	N3685Z	Piper PA-18
Kodiak	AK	N720	Piper PA-18

Kodiak	AK	N9623R	Cessna 206
Kotzebue	AK	N9395N	Cessna 185
Kotzebue	AK	N68AT	Arctic Tern
Kotzebue	AK	N91251	Piper PA-18
McGrath	AK	N735HB	Cessna 185
McKinley Park	AK	N4500W	Piper PA-18
Port Alsworth	AK	N9987N	Cessna 185
Port Alsworth	AK	N4479Z	Piper PA-18
Tok	AK	N91260	Piper PA-18
Daphne	AL	N70Y	Cessna 206
Wetumpka	AL	N60984	Cessna 185F Amph
Page	AZ	N2PS	Cessna 206
Page	AZ	N778	Grumman 21A
Phoenix	AZ	N626	Bell 206L-3
Phoenix	AZ	N19UD	Bell 206B
Phoenix	AZ	N617	Bolkow B105S
Phoenix	AZ	N619DE	Bell 206B
Denver	CO	N721	Cessna 185
Denver	CO	N761	Cessna 185
Denver	CO	N5308F	Fairchild Turbo Porter PC6
Montrose	CO	N612BR	Bell 206BIII
Montrose	CO	N611	Gulfstream Commander 900
Washington	DC	N33PP	Bell 206L-3
Washington	DC	N22PP	Bell 206L-1
Tallahassee	FL	N256SW	Bell 47G3B2
Atlanta	GA	N11NP	Cessna 340A
Boise	ID	N618	Rockwell Commander 6990A
Boise	ID	N613	Piper PA 23-250T
Boise	ID	N490AS	Twin Otter DHC6-300
Springfield	IL	N708	Cessna 180H
Lafayette	LA	N727	Cessna 185F Amph
Lafayette	LA	N757	Cessna A185F Amph
Slidell	LA	N743	Piper PA-18-150
Baltimore	MD	N702	Cessna 182
Baltimore	MD	N783	Cessnsa 185 Amph
Baltimore	MD	N2563K	Cessna 180K
Minneapolis	MN	N701	Partenavia P-68(O)
Billings	MT	N615	Rockwell Commander 690A
Billings	MT	N81470	Gulfstream Commander 690A
Manteo	NC	N32PS	Cessna U206
Washington	NC	N61053	Cessna 185F
Bismarck	ND	N53673	Cessna 337G
Jamestown	ND	N763	Cessna 182P
Albuquerque	NM	N737	Partenavia P-68(O)
Boulder City	NV	N3183M	Cessna 414A
Boulder City	NV	N9304R	Cessna U206
Portland	OR	N705	Cessna 182RG
Providence	RI	N767	Cessna 1185 Amph

Office of Hearings and Appeals

The budget request includes six additional positions and an increase of $350,000 above the base allocation for the Office of Hearings and Appeals. Contract appeals increased to a peak of 306 in FY 1985 and declined substantially to 202 in FY 1986. The budget justification (p. 96) anticipates an increase in contract appeals in FY 1987 and FY 1988.

Question: Of the 325 cases anticipated in FY 1987, how many had actually been received in the first six months of this year?

Answer: The Board of Contract Appeals received 121 new appeals during the first six months of this fiscal year. A significant portion of the 306 cases received during fiscal year 1985 were appeals relating to P.L. 93-638 contracts with Indian tribes. Most of those cases were remanded because the records were incomplete. We have been expecting that many of those appeals will be refiled and that additional P.L. 93-638 appeals will be filed. This accounts for the large number of cases anticipated this year.

Question: What was the average time from filing to disposal of contract appeals in each of the last three years?

Answer: 1984: 150 days; 1985: 150 days; 1986: 308 days.

Question: Is this duration expected to increase or decrease under the budget proposal?

Answer: The duration is expected to decrease under the budget proposal.

Question: Moving to the Hearing Division, what are the highest priority kinds of cases which are backlogged within this area?

Answer: We are not seriously backlogged in the hearings division at this time. We are, however, running at full capacity on both lands cases and surface mining cases. We are expecting a large increase in Indian probate cases under the White Earth Lands Settlement Act (up to 2,000 in number), which will have to be processed expeditiously to meet statutory deadlines.

Question: What is the average duration of the cases which were pending before the hearing division in each of the last three years?

Answer: We do not maintain statistics on the average duration of the cases which are pending at any particular time. The statistics which we have indicate that during the second half of FY 1984, the average time from docketing to disposal for the cases assigned to our departmental (as opposed to Indian probate) administrative law judges was 16 months. In FY 1985, the average time from docketing to disposal was 12 months. In FY 1986, the figure was 10 months.

Comparable statistics are not maintained for our Indian probate administrative law judges, but we do maintain statistics as to the percentage of pending cases over a certain age. The statistics which we have for FY 1984, which are based on incomplete reporting, indicate that 3% of the Indian probate cases have been pending for 2 years or more. In FY 1985, we reduced the aging period to 18 months. At the end of FY 1985, 8% of the cases pending had been pending for 18 months or longer. The figure for FY 1986 was 6%.

Question: Would you provide for the record a table which identifies for your three main casework areas the cases on hand at- the beginning of the year, received, disposed of, and pending at the end of each year for FY 1984, '85, '86, and projected for FY 1987 and '88?

Answer: The information follows:

	1984			1985			1986			1987			1988		
	R	D	P	R	D	P	R	D	P	R	D	P	R	D	P
Hearings (Indian Probate)	2970	3156	1866	2696	2622	1940	2711	2463	2188	2950	2500	2638	3000	3000	2638
Board of Land Appeals	972	946	813	1020	892	941	1700	815	1826	1000	1750	1076	1000	1100	976
Hearings (Departmental)	563	601	508	658	733	433	526	506	453	500	500	453	500	500	453

Code:

R = Received
D = Disposed
P = Pending

Department-wide Computer System

The Department has requested $2.0 million in the fiscal year 1987 Supplemental appropriations bill for a pilot accounting and payment system. This system will initially be installed at the Geological Survey and eventually be installed department wide.

Because of our budgetary difficulties and the requirements of the Deficit Control Act, we will need an offset to fund any supplemental requests.

Question: What actions have you taken to date on the implementations of the pilot system?

Answer: The Geological Survey in conjunction with other Interior Bureaus developed requirements, and prepared and issued a Request for Proposal (RFP) that will lead to the selection of an off-the-shelf accounting package and related implementation services for a Department-wide accounting and payment system.

Question: Why is it necessary to fund this pilot system in FY 1987 if you haven't yet sent up a necessary FY 1988 budget amendment for your FY 1988 plans?

Answer: The funds requested in the FY 1987 Supplemental Request are not intended to fund the pilot program in FY 1987, rather they will be used for the preparation, issuance, negotiation, and contract award for the RFP issued in April, 1987. The awarding of the contract in late FY 1987 will enable the Department to install a pilot system in FY 1988.

Question: Assuming the FY 1987 Supplemental is enacted by July 1, 1987, and the FY 1988 bill is enacted on October 1, 1987, what is the impact of a three month delay in the pilot system?

Answer: Since the funds requested in the FY 1987 Supplemental Request are to develop requirements, prepare an RFP, and award the contract there will be little if any impact on the pilot system as a result of a three month delay.

Question: Please identify the necessary funding sources if Congress allowed the Department to proceed in FY 1987, but did not provide additional funds?

Answer: If the House and Senate Subcommittees were to approve, and if funds were available, each of the ten Interior Bureaus would contribute a share of the funds necessary to proceed with the pilot system.

Immediate Office of the Secretary

In the FY 1987 Continuing Resolution, bill language was included specifying $1,586,000 for the Immediate Office of the Secretary. I note in your FY 1988 justification, that you have requested $2,136,000 for the Immediate Office of the Secretary and elimination of this language because it is unduly restrictive.

One of the uses for this increase is the continued emphasis on strategic and critical minerals.

Question: How has the Department met this bill language requirement?

Answer: The combination of the departure of the Under Secretary and her staff in March of this year, the departure of other staff members, and strict cost controls have, we believe, made it possible for the Department to essentially live within the $1,586,000 limitation. It is, however, necessary in our view for this limitation to be lifted to the extent of the January payraise and costs of the new Federal Retirement System (FERS), an adjustment valued at about $58,000. This adjustment is included in the House version of the FY 1987 supplemental appropriation bill.

Ouestion: Specifically, what efforts will this office be undertaking with respect to strategic and critical materials?

Answer: The Secretary of the Interior, by virtue of Presidential appointment, is Chairman of the National Critical Materials Council. The Secretary's objective, as chairman, is to encourage the private sector in the exploration and development of domestic energy and mineral resources--including strategic and critical materials, a vital link in maintaining a vigorous economy and strong national defense.

The Secretary's immediate staff is actively involved in developing minerals policies; analyzing and reporting on the state of the Nation's minerals and materials industries; and maintaining an active dialogue with leaders of these industries to identify the appropriate role for government in protecting the Nation's security as it is affected by the health of these industries.

The Secretary and his staff help to ensure that analyses prepared by the Bureaus and the Assistant Secretaries in the Department, providing essential information for shaping national policies affecting these industries, are considered within the Executive Branch and by the Congress. For example, the Bureau of Mines is analyzing and reporting on the impacts on these industries of various proposed regulations. The Secretary ensures that these impacts are considered before new regulations are finalized.

Environmental Project Review

You have requested an increase of $746,000 (+48 percent) for the Office of Environmental Project Review. This office provides Department-wide oversight for environmental quality in natural resources management. One of its main responsibilities is to provide guidance and technical assistance in meeting the Department's responsibilities under the National Environmental Policy Act of 1969.

Part of this increase ($214,000) is to strengthen the Department's regional emergency preparedness activities. These activities were assigned to the nine Regional Environmental Officers in May of 1986.

Question: Explain how this strengthened emergency preparedness activity will differ from the previous emergency preparedness activity at the Department?

Answer: Over the past few years emergency preparedness for natural and technological hazards has been consolidated within the Office of Environmental Project Review. In 1981 the office was assigned the mission of representing the Department on the Floodplain Management Task Force and incident-specific Flood Hazard Mitigation Teams. In 1982 the director and Regional Environmental Officers were assigned responsibility for representing the Department on the National and Regional Response

Teams of the National Oil and Hazardous Substances Contingency Plan. In 1983 similar responsibilities were assigned for the Federal Radiological Preparedness Coordinating Committee and the Regional Assistance Committees associated with the Federal Radiological Emergency Response Plan for peacetime radiological accidents. In 1986 the responsibility for policy and program guidance for preparedness and response to all natural and technological hazards was assigned to the Office. The work associated with these assignments has grown steadily, especially after such incidents as Three Mile Island, Love Canal, Times Beach, Bhopal, and Chernobyl. In addition, the passage of the Superfund Amendments and Reauthorization Act with its emphasis on preparedness for chemical spills will significantly increase workload in FY 1988.

National security emergency preparedness (NSEP) is assigned to the Division of Enforcement and Security Management (DESM) within the Office of the Administrative Services. That office works closely with the National Security Council and provides executive direction and overall supervision of this important program to ensure the preservation of continuity of operations and performance of essential functions in a period of national emergency. Because of increased emphasis in this area and due to their established regional notification systems, the regional responsibilities for NSEP were assigned to OEPR's Regional Environmental Officers in May 1986. They report to DESM for policy guidance and program direction in NSEP matters. Prior to this, regional NSEP was a fairly low priority within the Department and was assigned as a minor additional duty to selected bureau regional personnel.

The additional staff will assist in preparing intra-agency and Departmental contingency plans, preparing Departmental guidance to bureaus, and participating in and coordinating bureau participation in interagency exercises to test and evaluate response notification, assembly, communications, plans, actions, training, and overall preparedness for emergencies. The types of emergencies include oil spills, hazardous substance releases, Superfund sites, chemical spills, peacetime radiological incidents (power plant, weapons and transportation accidents), floods, hurricanes, earthquakes, and national security concerns.

Office of Budget Execution

You have requested $379,000 in FY 1988 to establish a new Office of Budget Execution. This office will be responsible for providing an objective and comprehensive review and analysis of the execution of the Department's budget.

Question: What function will this office provide that wasn't previously provided by the Office of Budget?

Answer: This office will focus its efforts primarily on the execution of the budgets of the bureaus once they have been enacted by Congress. Activity and subactivity program and obligation progress will be tracked initially. As a program to track progress at lower than subactivity level is developed and implemented with the bureaus and offices, additional tracking will occur. In addition the staff will do selective analysis of programs on a more substantive basis.

Office of Aircraft Services

The track record of the Office of Aircraft Services has been fairly good in recent years. In 1986, however, there were three accidents which resulted in fourteen fatalities. By comparison, in 1985 there were no accidents or deaths. In fact the office has not experienced that many accidents since 1977 when three accidents resulted in five fatalities.

Question: Has the Department taken a look into these accidents to determine whether further prevention is necessary?

Answer: Yes. In September, 1986, the Director of OAS designated an interagency team to review the organization's effectiveness. Emphasis was placed on those activities affecting aviation safety and accident prevention. As a follow-up to this review, a contract consultant analyzed Departmental aviation safety programs. Actions resulting from these internal and Department-wide reviews are:

> In January, 1987, an Action Plan was prepared outlining the initial steps necessary to strengthen DOI Aviation Management and Accident Prevention Program.
>
> The Department of the Interior Aviation Management Advisory Council was reconstituted with management representation from each bureau. Its first meeting was conducted on April 9, 1987.
>
> Aviation Management training has been increased nationwide, and two Aviation Training Specialists have been added to the Training staff.
>
> An additional Safety Specialist has been added to the Safety function.
>
> A new Aviation Program Function has been established as a staff entity reporting to the Assistant Secretary, PBA. Recruiting for this position is currently underway. The incumbent will provide staff overview and evaluation of Departmental Aviation Programs for the Secretary's Office.
>
> A new chapter of the Departmental Manual related to Aviation Safety and Accident Prevention has been drafted and will be circulated for the bureaus review in mid-1987.

OFFICE OF THE SOLICITOR

STATEMENT OF RALPH W. TARR, SOLICITOR

ACCOMPANIED BY:
- TERRY WILES, DIRECTOR OF ADMINISTRATION
- GALE NORTON, ASSOCIATE SOLICITOR FOR CONSERVATION AND WILDLIFE
- PAUL SMYTH, ACTING DEPUTY ASSOCIATE SOLICITOR FOR ENERGY AND RESOURCES
- HOWARD SHAFFERMAN, ASSOCIATE SOLICITOR FOR GENERAL LAW
- LYNN COLLINS, ACTING ASSOCIATE SOLICITOR FOR INDIAN AFFAIRS
- CAROL CLANCY, ACTING ASSOCIATE SOLICITOR FOR SURFACE MINING
- TOM ROBINSON, ASSOCIATE SOLICITOR FOR AUDIT AND INVESTIGATION

PREPARED STATEMENT

Senator REID. We will now turn to the next panel, which is the Office of the Solicitor.

It is my understanding that testifying will be the Solicitor, Mr. Ralph Tarr.

The fiscal year 1988 budget request for the Office of the Solicitor totals $24,794,000, which is an increase of $3,914,000, or about 16 percent over the current year. This request would support a level of 370 full-time equivalent staff-years, which is nearly 10 percent above the number available this year.

Welcome to the committee, Mr. Tarr. We have your prepared statement, which will be inserted into the record at this point.

[The statement follows:]

STATEMENT OF RALPH W. TARR

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you to discuss the fiscal year 1988 budget request for the Office of the Solicitor.

Before addressing the highlights of our fiscal year 1988 appropriations request, I would like to discuss our current fiscal year operations. Last year, we received an appropriation of $20,880,000 in response to our budget request of $20,800,000. We understood the intent of Congress to be that this appropriation would be our source of funding, except for 12 AML employees who have traditionally been funded through appropriations for the Office of Surface Mining Reclamation and Enforcement. In the meantime, this office has incurred an increase of roughly $715,000 in personnel costs as a result of Governmentwide changes, including $50,000 for the executive pay increase, $400,000 for the 3-percent increase for all Federal employees, $250,000 in contributions to the FERS system, and $15,000 in raises to certain clerical employees.

Despite these increases in personnel costs, I am committed to supporting a staffing level fully funded by the Solicitor's Office appropriation. As you know, in fiscal year

1986, as a result of the Gramm-Rudman reduction of nearly $900,000, we relied on client offices to fund a considerable portion of attorney travel, entered into reimbursable support agreements when requested by our clients to provide urgently needed legal support, and accepted funding of two positions by the Minerals Management Service. Even so, it was necessary to curtail promotions, to cease purchasing supplements and otherwise updating our law books, and generally to implement additional restraints on office expenditures. In this fiscal year, based upon congressional appropriations actions last year, we are funding all travel and providing legal assistance within the limits of our budget. At the same time, I believe it is necessary to support the office personnel properly within our budget constraints. Therefore, I have, among other things, awarded promotions to deserving members of the office and purchased at least the minimal level of equipment and new law books and supplements.

In order to implement these measures, and to absorb the increased pay and retirement costs for this fiscal year, however, certain positions vacated through attrition must remain unfilled in order to provide the flexibility to operate within our appropriation. At the same time, we are tightly controlling and restricting all other expenditures on travel and other overhead costs.

Our request for fiscal year 1988 is for $24,794,000, which is an increase of $3,914,000 from our fiscal year 1987 appropriation. The increase includes $1,802,000 for base adjustments and $2,112,000 for a programmatic increase. The base adjustments consist of $1,433,000 for the full-year cost of the 1987 pay raises and the new retirement system, and $369,000 for increased rental payments to the General Services Administration.

We are requesting a programmatic increase which includes $965,000 to fund 21 additional personnel for increased legal services; $1,181,000 to fund costs necessaary for the office to maintain quality legal services and to properly support the lawyers with necessary equipment, books, subscriptions, overtime, awards, travel, and training; $245,000 for additional billings through the working capital fund; and reductions of $259,000 as a result of the consolidation of the Solicitor's Office budget functions within the Office of the Secretary, and $20,000 for decreased payments to the employees compensation fund.

The requested level of funding will allow us to provide enhanced and improved legal services to the Department and to meet anticipated increased legal needs of the Department during fiscal year 1988.

Thank you, Mr. Chairman. I will be happy to answer any questions form the subcommittee.

INTRODUCTION OF ASSOCIATES

Senator Reid. If you would care to highlight briefly any of your client activities with major changes in fiscal year after introducing your associates, after that time we will proceed to the questions.

Mr. Tarr. Thank you, Mr. Chairman.

With me at the table is Mr. Terry Wiles, who is our Administrative Officer. I have with me also in the front row of the audience Gale Norton, our Associate Solicitor for Conservation and Wildlife; Paul Smyth, Acting Deputy Associate Solicitor for Energy and Resources; Howard Shafferman, Associate Solicitor General for Law; Lynn Collins, Acting Associate Solicitor for Indian Affairs; Carol Clancy, Acting Associate Solicitor for Surface Mining; Tom Robinson, Associate Solicitor for Audit and Investigation.

INTRODUCTORY COMMENTS

We are pleased to be here to speak with you about our fiscal year 1988 budget. I would just briefly highlight what I think is the theme that we would like to have you take away from the opening statement.

That is essentially that for the last 2 fiscal years we have been faced with absorbing, unexpected shortfalls, if you will, which have required us to allow the number of people in our office by attrition to decline, approximately 46 positions from December 1985 until the present.

As you recall, in fiscal year 1986, we had the Gramm-Rudman-Hollings reduction of about $871,000. This year, due to the 3-percent pay increase, the new retirement system, and the executive pay increase, as well as an OPM administrative pay increase for some clericals, we are absorbing some $715,000.

A portion of what we are seeking for fiscal year 1988 is 15 FTE's, essentially to actually make up for that $715,000 in increased pay and costs this year. The additional FTE's that we are asking for are really to fully fund the personnel that we should have in our office at this point based on last fiscal year's appropriations.

When I came into the office in December 1985, all of the money that one would have some discretion over, outside of personnel costs, had already been frozen. So we were not paying for travel, we were not buying new law books, so that our books were seriously out of date, and we were not purchasing new equipment.

The only thing left to do was to allow attrition to take over. Last year, during the budget process, I came away with the rather distinct suggestion that we should be funding our entire operation out of our own budget.

In previous years, the Solicitor's Office has utilized a great quantity of client funds, particularly in the travel area, in order to make ends meet. What I think you see this year in our budget request is an accurate reflection of what it costs to operate our office.

Senator REID. And that is the reason for the difference in the figures?

Mr. TARR. Essentially, that is the difference, Mr. Chairman. We do have some areas that I can quickly highlight where we are anticipating increases in workload.

FISCAL YEAR 1987 FUNDING

Senator REID. Let's see in the questions if we can anticipate that.

I would like to first focus on your 1987 program level. While Congress funded your request for 352 full-time equivalents this year, you presently have only enough funds to support an employment level of 337.

As I understand it, this is largely because you have been forced to absorb costs totaling more than $700,000 for increased pay and retirement costs; is that correct?

Mr. TARR. That is correct, Mr. Chairman.

Senator REID. You had to take some extreme measures to achieve even the reduced employment level. For example, you'll have to refrain from filling a number of vacancies as they occur during—is that right?

Mr. TARR. That's right, Mr. Chairman.

Senator REID. As I noted earlier, you're asking for an increase of nearly 10 percent in your fiscal year 1988 employment level.

Should we infer from the size of this increase that the attrition which you are forced to live with this year is having an adverse affect on your ability to provide legal services to the various programs of the Department?

Mr. TARR. We are keeping all the balls in the air, Mr. Chairman. I don't think we're dropping any of them at the present time.

There are a number of things that our clients would very much like us to do, and as lawyers, we feel would be quite wise for us to be doing.

For example, we have had to stop training programs for our clients. We do not have the travel funds this year to send any of our lawyers out to train clients in how they might execute the law to avoid problems.

The entire area of prophylactic advice to clients, for example, is one that we have had to severely cut back on in order to keep active with the items that we have no choice but to keep active with, which are the lawsuits and advice on the Secretary's priority items.

Senator REID. If there is a serious impact this year, why hasn't there been a request for supplemental funding?

Mr. TARR. As I understand, Mr. Chairman, Congress is considering a supplemental package this year, which includes the pay increases.

Senator REID. And it does deal with additional pay and retirement costs?

Mr. TARR. That's my understanding.

IMPACT OF POSSIBLE CONGRESSIONAL REDUCTIONS FOR FISCAL YEAR 1988

Senator REID. I wasn't aware of that. It could be. We'll check it out. If the overall budget constraints were too tight to find another offset to cover supplemental funding for your office this year, what does that say about the 1988 request?

If, for example, things are even tighter in the Federal budget next year with Gramm-Rudman, targeting $108 billion instead of $160 or $172, whatever it was this year?

Mr. TARR. I'm not sure I entirely understand the Chairman's question.

Senator REID. If the overall budget constraints are tighter this year, what about next year, when we're going to have to cut even further? You will have submitted your budget request to us, but let's assume we can't meet those levels because of Gramm-Rudman or for whatever reason. What would this do to your office?

Mr. TARR. What we would have to do is continue to try to minimize some of the basic support items we have. We would probably have to go back to even severer cuts in what we do to fund our library, for example. We would have to cut back on travel.

Senator REID. How does this affect what you do for your clients?

Mr. TARR. As I indicated, Mr. Chairman, I think that we are keeping up with matters that we have.

Senator REID. But are you doing more than just the emergencies? Do you have time to do anything else?

Mr. TARR. We feel as lawyers that we ought to be doing more in the area of avoiding legal problems by advance prophylactic advice to the clients, training the clients in the ways of implementing new laws.

Senator REID. You do not have any time to do that.

Mr. TARR. We're essentially not doing that in very many cases.

EMPLOYMENT LEVELS WITHIN THE SOLICITOR'S OFFICE

Senator REID. Moving to specific activity requests, I note that the employment level for energy and resources fluctuates from a fiscal year 1987 enacted level of 40 FTE's down to a funded level of 32 FTE's for this year, back up to a requested level of 41 FTE's for 1988.

That's on page 10 of your submittal. What is the reason for these variations, which are certainly more severe than in any other area where your office provides legal support?

Mr. TARR. Mr. Chairman, that's just a result of the management choices I have made as to where we would absorb the attrition. It's also a function of where the attrition has occurred.

Senator REID. Is there any one project or program in 1988 that will require substantially increased legal support from the energy and resources subactivity?

Mr. TARR. We have some items that are coming up this year in the reclamation area. The Reclamation Reform Act is requiring additional enforcement efforts.

We also have increased interest in the BLM, in the hazardous waste area, and responsibility for Superfund and RCRA.

We also have a great deal of activity in the Outer Continental Shelf area and the Alaska National Wildlife Refuge, which would be items of increased activity.

But I guess I'd like to stress to the chairman that the Energy and Resources Division has suffered the greatest of our attrition rates.

So what we are really representing by the people we're expecting to put back in there with next year's budget is what they have lost, in a sense, over time.

Senator REID. We note that there is an increase in the general law subactivity above the enacted level in 1987 at a time when there were sharp reductions in many other areas.

What accounts for this shift and why does the employment level increase by nearly 25 percent in 1988? The request compared with the enacted level for the current year?

Now, did you answer that previously in respect to where some of the layoffs took place? Not layoffs, I'm sorry. Attrition. People quit, retired, and whatever?

Mr. TARR. Right. They have not suffered as great an attrition rate. They have had quite an increased responsibility in the procurement area with recent enactments of Congress. The Competition in Contracting Act and the activities of the General Services Administration Board of Contract Appeals, those areas are areas where the matters are on an emergency track because there are deadlines that must be met.

Therefore, we have had to keep up with those priority items.

DIVISION OF SURFACE MINING

Senator REID. I understand. In the surface mining subactivity, there is an increase of 12 FTE's and approximately $1 million above the current level.

How much of this increase is attributable to additional litigation spurred by the operation of the applicant violator system, which is scheduled to be operational this fall?

Mr. TARR. Specifically, on the applicant violator system, I don't know that that's a large chunk of this. We are doing ongoing activity in that area. We do expect that to be up and running in October, and it will take up additional resources. The two areas there that are most significant are in the regulations area, where there is a great deal of activity, in the area of reclamation and enforcement.

In addition, we are expecting in this fiscal year to see approximately 3,600 net worth determinations that are the trigger for working the collection as well as the alternative enforcement cases.

ABANDONED MINE RECLAMATION FUND

Senator REID. What specific changes to the use of AML moneys are you presently advising the Office of Surface Mining?

Mr. TARR. I will in a moment ask, if I can, for some further guidance from my Associate Solicitor, but let me indicate that we are working closely with the Office of Surface Mining Reclamation and Enforcement on the Indian reclamation activities.

There are also some issues in the tax area because of a recent tax ruling, involving an individual whose land was reclaimed for a sum just under $1 million, which has only seen a valuation increase of about $20,000 and who was asked to pay income tax on the entire amount that went into reclaiming the land.

Perhaps Ms. Clancy can help.

Senator REID. Ms. Solicitor, would you care to add anything?

Ms. CLANCY. One thing I emphasize, it's not a change in the uses. Obviously, the uses relate to reclamation of mined lands and lands mined prior to 1977.

Senator REID. Is this the broader uses that are talked about?

Ms. CLANCY. No; actually, there are three major areas we're aware of, in terms of proposed legislation which we have been involved in counseling the client.

Senator REID. The reason we ask the question is, it says here the Office also will continue to advise OSMRE in devising AML spendout strategies, implementing incentives to States to improve AML fee payments, and implementing possible legislation allowing broader use of AML moneys.

Ms. CLANCY. One of the proposed pieces of legislation that I'm aware of, that may fit into the area that you're inquiring into or asking about, has to do with the set-aside of funds into trust funds to be held by the States and used for the purposes of reclaiming lands after 1992.

The use is specified in title IV. While the uses are specified by the statute, the proposed legislation involves the methodology of how you would presently dispense those funds.

One of the proposals you may be familiar with is the set-aside. The other involves the Indian question, which has to do with the fact that because tribes do not have title V programs, they're not allowed to expend title IV moneys. And so, again, it's not the use but it's the methodology of how you transmit the AML funds to a particular entity. It's not expansion of the uses of the funds, which is constrained by the statute.

Senator REID. Let me just ask a couple of questions of the product valuation relationship, which the Minerals Management Service has drafted for comment.

Specifically, what is the legal basis for the planned retroactive valuation of NTL–5 gas well prices?

Mr. TARR. The retroactivity issue, as the chairman knows, is one that is subject to a rulemaking at the moment. The comment period has closed. We are looking at the record and we'll be analyzing that record in the next few weeks to determine what our advice would be on the legality of the retroactivity aspect.

That is a fact-based question that depends on the circumstances.

Senator REID. You could give us more information on that in the near future?

Mr. TARR. Yes; we could.

[The information follows:]

MEMORANDUM TO ASSISTANT SECRETARY—LAND AND MINERALS MANAGEMENT

JAN - 9 1987

PRIVILEGED ATTORNEY-CLIENT COMMUNICATION

PRIVILEGED ATTORNEY WORK PRODUCT

MMS.ER.0553

Memorandum

To: Assistant Secretary, Land and Minerals Management

From: Associate Solicitor, Energy and Resources

Subject: Retroactive Modification of NTL-5

This is in response to your request that we review the case law construing retroactive rulemaking to advise you regarding the legality of retroactively modifying Notice to Lessees and Operators of Federal and Indian Onshore Oil and Gas Leases (NTL-5) -- Value of Natural Gas for Royalty Purposes.

For the reasons explained in detail herein, we have concluded from our review that a retroactive modification to NTL-5 (to make retroactive the changes to NTL-5 adopted in the July 25, 1986 rulemaking, 51 F.R. 26759) is not *per se* illegal. The treatise writers have recognized that: "Like retroactive statutes retroactive rules are valid if they are reasonable, but are invalid if their retroactivity is unreasonable in the circumstances." K. Davis, *Administrative Law Treatise* § 7:23 (2d ed. 1979). However, it also has been acknowledged that retroactive agency action is subject to stricter scrutiny than prospective measures. *Daughters of Miriam Center for the Aged v. Mathews*, 590 F.2d 1250, 1259 (3rd Cir. 1978). The factual circumstances surrounding a retroactive rulemaking will be determinative of the potential legality of that action. Consequently, the administrative record developed during any retroactive rulemaking process is especially important. Our analysis follows.

The first section consists of an enumeration of the standards which courts have considered in determining the propriety of retroactive agency action, followed by application of those standards to the NTL-5 situation. Sections II through VI provide a more thorough analysis of the applicable case law.

I. Application of Retroactivity Considerations To a Modification of NTL-5

From our review of the case law, a court likely would apply the following criteria if presented with a challenge to a retroactive modification to NTL-5:

- While retroactive rules are not favored, they are not *per se* illegal; rather, the court will consider whether the action was reasonable in the circumstances. However, courts will apply stricter scrutiny to retroactive rules than to prospective rules.

- Does the retroactive amendment to NTL-5 make the rule consistent with the statutory scheme, thereby curing a deficiency in the original rule? If so, does the public interest in proper implementation of the statute outweigh the burdens placed by retroactive rulemaking on affected parties, considering the other factors listed below?

- What was the extent of the affected parties' reliance on the original NTL-5? The court will consider such factors as: the length of time the original provision was in effect; whether the modification is an abrupt departure from past practice or merely fills gaps in an unsettled area of law; and whether the lessees or the states and Indians would have altered their conduct had the modifications been in effect originally.
- The court will consider the hardship on the affected parties, i.e. whether the hardship to the lessees from no retroactivity is outweighed by the hardship to states and Indians if the modifications are retroactive.
- The court likely will apply the same analysis whether NTL-5 is considered to be a legislative rule or an interpretative rule. However, rules like NTL-5 which establish new requirements and do not merely offer an interpretation of an existing statute or regulation, generally are deemed to be legislative rules.

Applying the factual circumstances surrounding NTL-5 to the aforementioned principles results in some considerations favoring retroactivity and others working against it.

With regard to the underlying statutory purpose, MMS's position in support of retroactive rulemaking would be that applying the original NTL-5 to establish value in the 1984-86 period will result in some values which are so high as to be unreasonable and not in furtherance of legitimate statutory purposes (the relevant statutes do not provide any explicit guidance for determining value -- it is a matter committed to agency rulemaking authority). By way of illustration, there are circumstances where the "market" price of gas sold interstate uniformly is several dollars below the NGPA ceiling price for the category of gas. NTL-5 conclusively would establish the royalty value at the ceiling price. If this value is so high as to be unreasonable, then MMS would argue that it would be furthering the statutory purposes by curing this defect in the regulatory scheme. For Indian leases, because of the Secretary's trust responsibility to the Indians, the court may conclude that the statutory purposes test places on the Secretary an even greater burden to demonstrate that an NGPA ceiling price is patently unreasonable (hence not justified by the statutes or leases) rather than just a "high" value.

We believe that recent case law makes an even stronger case for not changing NTL-5 retroactively for Indian leases. The Tenth Circuit Court of Appeals in Jicarilla Apache Tribe v. Supron Energy Corp., 782 F.2d 855, (en banc 1986), adopting the dissent reported at 728 F.2d 1555, held that the Secretary had a fiduciary duty to manage the tribe's natural resources to maximize benefits. Id. at 1565.

In terms of relative burden, modifications to NTL-5 work to the benefit of oil and gas lessees through lower royalties. Courts have upheld retroactive application of a rule which benefitted the regulated class. However, the modifications to NTL-5 will have a corresponding negative impact on the amount of royalty revenues received by the public, Indian lessors and the states. The courts necessarily will focus on this burden. Moreover, unlike most cases involving retroactive rules applicable to a regulated class, the balancing inquiry will not be limited to considering the impact on public or governmental interests, but will consider whether the burden on all royalty recipients is outweighed by the furtherance of the statutory scheme as it relates to leasing and payment of royalties on both Federal and Indian lands.

Operating in favor of retroactivity is the fact that the conduct by at least one party, the lessees, would not necessarily have been different had the NTL-5 modifications been in effect. On most leases where the NTL-5 value was significantly in excess of a lessee's gross proceeds, it is MMS's experience that lessees did not pay royalty at the NTL-5 prescribed rate. Rather, they paid royalties based on their proceeds. In some cases, this action was taken with the knowledge and concurrence of MMS. Therefore, a retroactive modification to NTL-5 in most instances would not take money out of the pockets of the Indians and states, but only would decrease their revenues from future audits of past activity. On the other hand, enforcement of the original NTL-5 would require the lessees to pay considerable sums of additional money after having been advised earlier by MMS that NTL-5 would not apply uniformly. It will be incumbent on MMS to develop the administrative record to demonstrate that lessees did not pay royalties at the NTL-5 rate, that many lessees acted based upon advice from MMS, and that Indians particularly would not be burdened by having to refund previously paid royalties if the rule is changed retroactively.

Two principal considerations will operate against retroactivity. Most importantly, as noted earlier, the statutory interests which will be considered by the courts will include the Secretary's trust responsibility to the Indians. The retroactive rule would be altering an established policy which benefitted the Indians, not just filling in a gap which existed in the applicable law. Thus, the benefit to the oil and gas lessees will be balanced against the detriment to the Indians. While there indeed may be situations where the NTL-5 value is unreasonable, the court may be concerned whether it is necessary to rescind NTL-5's applicability to all leases to cure the problem. Instead, it may be appropriate to develop standards and make the NTL-5 changes retroactive only in certain defined circustances.

MMS's statutory purpose argument also will be undermined by the fact that in the 1984-86 period MMS was aware of the valuation problems caused by NTL-5 but took no corrective action. The court will not be as sympathetic as in a situation where an unforeseen change in circumstances requires a retroactive modification.

Also to be considered is the standard of review which will be applied to the MMS action. If MMS makes the recent modifications to NTL-5 retroactive, the likely lawsuit from the Indians and states will focus almost exclusively on the procedural issue of retroactivity. The burden will be on the agency to defend the reasonableness of its action in general. If, on the other hand, MMS continues to enforce NTL-5 as originally promulgated, the dispute will be with the lessees and will be a substantive challenge to an agency valuation order. The agency will have in its favor the principle of law that courts should defer to the agency's decision, particularly where the agency is interpreting its own statutes and regulations. See Marathon Oil Co. v. U.S., 604 F. Supp. 1375 (D. Ak. 1985), aff'd, 794 F.2d 1461 (9th Cir. 1986). The burden will be on the lessee to demonstrate that the agency's valuation was unreasonable and not in accordance with law.

In summary, whether a retroactive modification of NTL-5 is legally defensible will depend in large measure on the administrative record developed to support the agency's decision. What follows is a more thorough review of the case law which forms the basis for this conclusion.

II. Background

As is explained in more detail below, in ruling on the propriety of a retroactive rulemaking, courts have considered carefully the facts surrounding the rulemaking action, particularly focusing on who the affected parties are. As noted by Professor Davis, above, "reasonableness" of the retroactive rule is an important criterion. The NTL-5 situation is somewhat unique. The retroactive modification under consideration would benefit oil and gas lessees through lower royalties. Generally, when an agency takes action which benefits the class it regulates, even if that action is retroactive, the agency action will not be challenged because no specific person or class is aggrieved. Here, however, the Indian lessors (who receive all of the royalties from production on their leases) and the states (who receive 50 percent of the royalties from federal leases pursuant to 30 U.S.C. § 191) would be directly and adversely affected by a retroactive change to NTL-5 which reduced royalty payments. Thus, a retroactive rule which benefits a private party and generally would not be subject to challenge in this case operates directly to the detriment of parties other than the U.S. Government. This dual impact must be considered when applying the principles gleaned from prior case law.

III. Early Cases

The courts recognized early that retroactive agency action could be warranted. In Addison v. Holly Hill Fruit Products, Inc., 322 U.S. 607 (1944), the Supreme Court sanctioned retroactive agency action. The agency had adopted a definition under the Fair Labor Standards Act which the Court concluded was beyond the agency's authority as conferred by statute. After striking down the agency definition, the Court remanded the matter to the district court with an instruction to hold the case until the agency adopted a new definition which would be applicable retroactively to the earlier period to which the original rule had applied.

One of the most frequently cited cases establishing the early principles for determining when retroactive rulemaking is appropriate is SEC v. Chenery Corp., 332 U.S. 194 (1947). While this case is more important for having established the principle that the choice between proceeding by general rule or by ad hoc adjudication is one that lies primarily in the informed discretion of the agency, the Court also ruled that just because an ad hoc decision of the Securities and Exchange Commission might have a retroactive effect does not necessarily render it invalid:

> Every case of first impression has a retroactive effect, whether the new principle is announced by a court or by an administrative agency. But such retroactivity must be balanced against the mischief of producing a result which is contrary to a statutory design or to legal and equitable principles. If that mischief is greater than the ill effect of the retroactive application of a new standard, it is not the type of retroactivity which is condemned by law.

Id. at 203. While this case dealt with an agency order rather than a rule, the above-quoted balancing principle has been applied by other courts to the rulemaking context.

As noted above, factual considerations surrounding a retroactive rule are an essential consideration. A later court striking down retroactive agency action noted that the rulings in Addison and Chenery may have been dictated by need since to permit the industry to stand with no regulation (as opposed to applying the new rule retroactively) would have been contrary to the intent of Congress. National Labor Relations Board v. Guy F. Atkinson Co., 195 F.2d 141, 147-148 (9th Cir. 1952). (See also Niagara Mohawk Power v. FPC, 379 F.2d 153 (D.C. Cir. 1967), where the court upheld the retroactive effective date of a license (with the attendant higher fees) where the project otherwise would have been constructed without a license in violation of applicable law.)

The courts recognized early that when an agency adjudication is a case of first impression, it necessarily will have retroactive effect. Chenery, supra; NLRB v. Majestic Weaving Co., 355 F.2d 854 (2nd Cir. 1966). Stated another way, in a case where the agency is first announcing a rule as to how a person should have acted in a prior period, that ruling is retroactive in effect. This must be distinguished from situations, like with NTL-5, where an agency retroactively is altering an established rule which has been generally recognized and relied upon. In one case the court concluded:

> In this case we might well conclude that where for fifteen years the Board considered conditional negotiation consistent with the statutory design "the ill effect of the retroactive application of a new standard" so far outweighs any demonstrated need for immediate application to past conduct, SEC. v. Chenery Corp., supra, [citation omitted] as to render the action "arbitrary."

NLRB v. Majestic Weaving Co., supra at 860-861. Therefore, courts will be more considerate of retroactive rulemaking where an agency first is establishing a principle rather than amending a previously established policy.

Another case which established frequently cited standards for determining the validity of retroactive agency action is Retail, Wholesale and Department Store Union, AFL-CIO v. NLRB, 466 F.2d 380 (D.C. Cir. 1972). At issue was the Board's retroactive application of a change in policy effectuated by it through adjudication rather than rulemaking. Recognizing that courts sometimes will uphold retroactive rules, the court considered the following standards:

> Among the considerations that enter into a resolution of the problem are (1) whether the particular case is one of first impression, (2) whether the new rule represents an abrupt departure from well established practice or merely attempts to fill a void in an unsettled area of law, (3) the extent to which the party against whom the new rule is applied relied on the former rule, (4) the degree of the burden which a retroactive order imposes on a party, and (5) the statutory interest in applying a new rule despite the reliance of a party on the old standard.

Id. at 390. The court in this case refused to give retroactive effect to agency action.

IV. Recent Cases

In the more recent cases, courts have focused more closely on the severity of the harm to private interests caused by retroactivity, and have acknowledged "the doctrine that an administrative agency may not apply a new rule retroactively when to do so would unduly intrude upon reasonable reliance interests." Heckler v. Community Health Services of Crawford County, Inc., 467 U.S. 51, 60 at n.12 (1984). The courts' inquiries have been even more factually oriented than in the early cases. This analysis has resulted in retroactive regulations being both sustained and overturned.

The effect of the factually-oriented inquiry is evidenced by a series of cases decided by the Temporary Emergency Court of Appeals (TECA) both upholding and striking down retroactive rulemaking actions by the Department of Energy (DOE, including predecessor agencies). In Standard Oil Co. v. DOE, 596 F.2d 1029 (TECA 1978), DOE sought to apply retroactively a petroleum price control regulation which would have imposed a significant burden on crude oil refiners. The court, which considered the principles adopted in Chenery, supra, and Retail, Wholesale, supra, reasoned as follows:

> Had the NPCI last rule been in effect during the relevant period, the refiners would admittedly have followed different procedures with respect to reduction of inventories, cutting back domestic refinery output, and avoiding constant price changes.

Id. at 1065. Thus, TECA examined whether the conduct of the affected class would have been different had the new rule been in place from the beginning. The court concluded that the rule should not be given retroactive effect.

TECA came to the opposite conclusion in two other cases. In Pennzoil Co. v. DOE, 680 F.2d 156 (TECA 1982), which involved a DOE ruling regarding its crude oil pricing regulations, the court again reviewed the balancing principles from the early cases including Chenery and Retail, Wholesale. It also cited Professor Davis (same quote as in the opening section of this memorandum) in concluding both that the regulation in dispute was reasonable and that it could be given retroactive effect. However, it should be noted that the court also stated that:

> the controlling circumstances here is [sic] that Ruling 1975-15 is an interpretative ruling, not a legislative change, and simply made explicit what was implicit in the property definition from the beginning.

Id. at 176. Thus, the rule which was upheld was not a legislative rule. Rather, the court upheld it as an interpretative rule which from the beginning was consistent with the underlying substantive rule. Consequently, its effect was not really retroactive.

The third TECA case, which involved retroactive repromulgation of a crude oil pricing rule that a court previously held to be invalid, includes an extensive legal analysis of the retroactivity issue. Mobil Oil Corp. v. DOE, 678 F.2d 1083 (TECA 1982). The court recognized that "administrative agencies have the authority, under limited circumstances, to issue retroactive rules." Id. at 1088. However, the court concluded that:

> Since the DOE has not shown that there will be a significant "mischief of producing a result contrary to statutory design . . .," Standard Oil, 596 F.2d at 1063, and since the absence of the 1974 amendment or a similar amendment does not necessarily "do violence to the law . . .", we conclude that the retroactive repromulgation of the 1979 amendment is invalid.

Id.

In most of the other recent cases, the courts have rejected retroactive rulemaking. Where retroactive effect has been approved, there appears to be a mitigating circumstance which justifies such action.

In Daughters of Miriam Center for the Aged v. Mathews, 590 F.2d 1250 (3rd Cir. 1978), HEW changed its rules on depreciation recapture after the appellant chose its depreciation method based upon the prior rules. The new rule would have created a financial hardship for appellant. The court first stated that in reviewing retroactive measures, courts have applied stricter scrutiny than with prospective measures. It reasoned further that while the validity of a prospective rule will be sustained so long as it is reasonably related to the purposes of the enabling legislation (citing Mourning v. Family Publication Service, 411 U.S. 356, 369 (1973)), "'courts have generally compared the public interest in the retroactive rule with the private interests that are overturned by it' in deciding whether to uphold a retroactive promulgation." Daughters, supra at 1260, quoting from Adams Nursing Home of Williamstown, Inc. v. Mathews, 548 F.2d 1077, 1080 (1st Cir. 1977).

The court further articulated another standard:

> In a retroactivity challenge such as the present one, a critical question is how the challenger's conduct, or the conduct of others in the class, would have differed if the rule in issue had applied the from start.

Daughters, supra at 1262. This is similar to the analysis applied by TECA in Standard Oil, supra. As a consequence of its analysis the court concluded that:

> This severe impact upon the Center's finances, overturning its settled expectations, outweighs the negligible public interest in applying the new provision retroactively to it.

Id. at 1263. See also Bedford County Memorial Hospital v. HHS, 769 F.2d 1017, 1024 (4th Cir. 1985) (Court overturned retroactive rule concluding that "While retroactive rulemaking designed to cure defects in regulatory schemes sometimes should be permitted, this should only occur when the public interest in retroactively curing the defect outweighs the harm to private interests resulting from invalid first instance rulemaking").

Applying similar principles, some recent decisions also have upheld retroactive rulemaking. In People of the State of California v. Simon, 504 F.2d 430 (TECA 1974), where appellant challenged the Federal Energy Office's rescission of the state and local government exemption of crude oil from federal price controls, the court upheld a rule with retroactive effect. However, the case is somewhat unique in that the rule was made retroactive only to the date of the notice of proposed rulemaking (NOPR), and the NOPR included express notice that the rule would be made retroactive to that date when adopted.

Retroactive rulemaking also was upheld in United States v. Exxon Corporation, 561 F. Supp. 816 (D.D.C. 1983), another case construing DOE crude oil pricing regulations. The court reviewed the principles enumerated by Professor Davis, quoted above, and by the court in Pennzoil Co. v. DOE, supra, and applied a balancing test. The court approved the retroactive rule because it actually relieved the burden on the affected party.

One of the most recent cases upholding retroactive application of an agency interpretation is based upon an analysis similar to that which a court would apply in reviewing a retroactive modification to NTL-5. In State of Illinois by the Illinois

Department of Public Aid v. Bowen, 786 F.2d 288 (7th Cir. 1986), the State of Illinois brought an action against HHS claiming about $4 million in federal reimbursement for Medicaid medical services provided by the state. The basis of the claim was that HHS originally interpreted one of its regulations as providing a limited exemption from a statutory provision which generally denied reimbursements for the services in question. However, HHS reversed its interpretation and then denied the claims. The court reviewed most of the principles regarding retroactive application which are discussed above. It applied those principles as follows in upholding the retroactive interpretation:

> In this case any reliance interest of the [State] is outweighed by the Secretary's interest in retroactively applying its current interpretation of the regulation. A critical question is how the conduct or practices of the [State] would have been different if the current interpretation of the regulation had applied from the start. See Daughters, 590 F.2d at 1262. The district court found that Illinois would have provided the services in question regardless whether it received [federal reimbursement]. Such services are traditionally the responsibility of the states . . . . Further, this is not a case in which HHS is demanding a refund from the [State] or assessing a fine.

Id. at 292-293. The court considered also that the statutory terms seemed clear, that no other state received any funds based on the original interpretation, and that it is unlikely that the state relied heavily on the original interpretation creating a loophole in the statute.

V. Other Retroactive Royalty Cases

The question of whether a Department of the Interior royalty order could be applied retroactively was considered before in the landmark case of Continental Oil Co. v. U.S., 184 F.2d. 802 (9th Cir. 1950). The principal issue in the case was whether the Secretary's royalty valuation rules were proper. With regard to retroactivity of the so-called net realization order, the court rather summarily rejected retroactive application, stating that "we think the court correctly construed the provision of the lease permitting the Secretary to fix the value of gas for royalty purposes as operating prospectively only." Id. at 821. It should be noted that the Secretary's order in this case had the effect of increasing royalties.

VI. Legislative Rules v. Interpretative Rules

It was suggested in several comments from industry that MMS could retroactively modify NTL-5, or, alternatively, that the MMS could choose not to apply NTL-5 in all circumstances, because it is only an interpretative rule as opposed to a legislative (or substantive) rule. We previously considered this issue in a May 16, 1985 memorandum to the Director, MMS, and determined that NTL-5 is a substantive rule with the force of law, and the agency is bound to enforce its terms. United States v. Nixon, 418 U.S. 683 (1974). We have revisited the issue and for the following reasons we have come to the same conclusion.

The distinction between legislative rules and interpretative rules is not easy to make with courts often differing in opinion when addressing the same fact situation. See K. Davis, Administrative Law and Government, 119 (2d ed. 1975). See also B. Schwartz, Administrative Law, 158, 159 (2d ed. 1984), which states:

> A substantive rule or "legislative-type rule" is one "affecting individual rights and obligations"; . . . they create law just as the statute itself does, by changing existing rights and obligations. An interpretive rule is a clarification or explanation of existing laws or regulations, rather than a substantive modification of them. Interpretive rules are statements as to what the agency thinks a statute or regulation means; they are statements issued to advise the public of the agency's construction of the law it administers.

Professor Davis also has focused on the distinction between the two types of rules:

> One very solid proposition is this: Whenever a legislative body has delegated power to an agency to make rules having force of law (whether or not the delegation is explicit) the rules the agency makes pursuant to the granted power have the same force as a statute if they are valid, and they are valid if they are constitutional, within the granted power, and issued pursuant to proper procedure; a court may no more substitute its judgment as to the content of a legislative rule than it may substitute its judgment as to the content of a statute. . ..
>
> At the opposite extreme, where no power has been delegated to the agency to make law through rules, the agency's public statements of what it will do in enforcing or in adjudicating may be deemed "interpretative rules." The solid proposition here that is fully supported by the case law is: Courts are free to substitute judgment as to the content of interpretative rules, but they often give weight or great weight to the views of the agency, sometimes even to the extent of giving force of law to the rules. . ..

Davis, *supra* at 119. With regard to royalties, Congress has given the Secretary broad power to make rules having the force of law. *See* 30 U.S.C. § 189. Likewise, the Secretary has broad authority under the various Indian mineral leasing statutes to establish regulations governing valuation. 25 U.S.C. §§ 396, 396d. The issue is whether NTL-5 is an effectuation of that authority creating enforceable obligations, or whether NTL-5 simply interprets other royalty value regulations.

An examination of how the courts have treated the distinction between legislative and interpretive rules is helpful in deciding the question as to what type of regulation NTL-5 is.

In *General Motors v. Ruckelshaus*, 724 F.2d 979 (D.C. Cir. 1983), the Environmental Protection Agency (EPA) issued what it characterized as an interpretative rule requiring any auto maker to submit a plan to remedy defects in an automobile regardless of the age or mileage. The court concluded that this was an interpretative rule, stating that the difference between an interpretative and legislative rule is a product principally of the agency's authority and *intent* in promulgating the rule.

In *Citizens to Save Spencer County v. United States Environmental Protection Agency*, 600 F.2d 844 (D.C. Cir. 1979), the EPA promulgated three rules. In its brief to the court the EPA argued that each rule was interpretative. The court agreed with the agency on the first rule which amended EPA regulations to comply with one of two conflicting sections of 1977 amendments to the Clean Air Act. The second and third rules, however, sought to fill a breach in a timing issue opened by inconsistent instructions from Congress. The court concluded that the first rule was interpretative because the EPA decided merely to follow one of the conflicting statutory instructions. On the other hand, because the second and third rules sought to fill a breach in timing, the EPA had created new law, and therefore those regulations were deemed to be legislative.

See also American Trucking Association v. United States, 688 F.2d 1337 (11th Cir. 1982), rev'd on other grounds, 467 U.S. 354 (1984); Chamber of Commerce of the United States v. Occupational Safety and Health Administration, 636 F.2d 464 (D.C. Cir. 1980).

The facts surrounding NTL-5's promulgation do not completely clarify the issue as to whether NTL-5 is legislative or interpretative. The fact that NTL-5 was issued in the "Notices" section of the Federal Register, 42 FR 22610 (May 4, 1977), and that it states only that it is issued pursuant to the authority of 30 CFR 221 (the predecessor to 30 CFR Part 206), might indicate that NTL-5 is only an interpretation of the basic gas valuation rule in 30 CFR § 206.103 (although the Office of the Federal Register did write the MMS in 1982 stating that NTL's are rules and should be classified as such).

However, more factors indicate that NTL-5 is a legislative rule. NTL-5 was promulgated in proposed form for comment (40 F.P. 54267 (Nov. 21, 1975)) before it was issued in final form. These are the procedures which the Administrative Procedure Act, 5 U.S.C. § 553, prescribes for most legislative rules (though agencies of course are free to add procedural safeguards even for interpretative rules). Also, in the NOPR for NTL-5, supra, the agency stated that "Notice is hereby given that the Geological Survey proposes to revise, effective July 1, 1976, its method of determining value for royalty purposes on gas produced from, or for the benefit of, onshore Federal and Indian oil and gas leases." (emphasis added). Therefore, it would appear that the agencies intent at the time was to "revise" the existing gas valuation procedures, which would require a legislative rule since the rules to be amended were in the C.F.R. Also, NTL-5 as finally issued includes many requirements not in 30 C.F.R. Part 206 and MMS expects lessees to comply with the requirements. This too suggests that NTL-5 is a legislative rule.

The history of NTL-5's issuance, coupled with MMS's reliance on NTL-5 as the exclusive onshore and Indian gas valuation methodology (also, recall that that was the agency's announced position in the Alaska royalty dispute with Union Oil Co.), causes us to conclude that NTL-5 is a legislative rule.

It should be noted, however, that in several of the cases concerning retroactivity discussed above, the courts applied the same analysis to the propriety of retroactive changes to interpretative rules as they did to legislative rules. See State of Illinois by the Illinois Department of Public Aid v. Bowen, supra; Daughters of Miriam Center for the Aged v. Mathews, supra; U.S. v. Exxon Corp., supra at 836 ("The fundamental criterion for determining whether a statute, regulation or interpretation may be applied retroactively is one of reasonableness." (emphasis added)); Anderson, Clayton & Co. v. U.S., 562 F.2d 972, 984 ("Neither the courts nor Congress have drawn any distinction between interpretative and legislative Treasury Regulations as regards their retroactivity.") Consequently, even if NTL-5 is considered to be an interpretative rule, the same retroactivity analysis would be necessary to determine its legality.

VII. Conclusion

For the foregoing reasons, we believe that a retroactive modification of NTL-5 may be legally defensible. However, before we can provide you with a final opinion, an administrative record that supports the agency's decision must be developed along the lines discussed above.

Constance B. Harriman

Constance B. Harriman

PRICE VALUATION

Senator Reid. Since some Indian tribes and States have already collected royalties on these sales, why should they have to refund a portion of these collections due to a subsequent reevaluation of gas prices.

Mr. Tarr. The concern, Mr. Chairman, is whether or not the NTL–5 originally set an appropriate price or value on the gas. Given the fact that the price that was set on the gas was higher than the market price, the policy concern that has prompted the proposed regulation, is that that was not an appropriate price.

Therefore, whatever royalties were calculated were not calculated on an appropriate price.

ARM'S-LENGTH PROVISION

Senator Reid. What provisions are included within those regulations to assure that any product sales agreements are conducted at arm's length?

Mr. Tarr. As I understand it, and perhaps my Associate Solicitor for Energy and Resources could be helpful, there are requirements in the MMS product value guidelines that contract arrangements be at arm's length.

That is the responsibility of MMS to take care of.

Senator Reid. Is that right?

Mr. Smyth. Mr. Chairman, that's correct.

Senator Reid. Are you confident that these provisions are not subject to challenge and reversal?

Mr. Tarr. The NTL–5 retroactivity question? That depends, Mr. Chairman.

Senator Reid. No; the provision of arm's-length bargaining.

Mr. Tarr. Are we confident that some of the specific arrangements that have been made are not subject to challenge? I'm trying to understand the thrust of the question.

Senator Reid. Are you confident that the regulations relating to arm's-length translations are sufficient to create arm's-length transactions?

Mr. Tarr. I don't know if the regulations create it, but they certainly create the mechanism for MMS to disallow those transactions if they conclude that those transactions are not at arm's length.

Senator REID. The regulations we've established do say that they have to be conducted at arm's length.

Mr. TARR. That's my understanding.

Senator REID. Now, the fact that the regulations say they are to be conducted at arm's length doesn't mean that they will be.

Do the regulations sufficiently set up a mechanism that they will be arm's length? Do you understand the difference? Simply saying they are doesn't mean anything.

Is it mechanically set up within the regulations as to how they're going to be arm's length?

Mr. SMYTH. I think what you're asking, is there an auditing function.

Senator REID. No; the mere fact that we say they are conducted at arm's length doesn't mean that they will be. We need some way of monitoring the fact that they will be conducted at arm's length.

Mr. SMYTH. That will be a function of the Auditing Division of the Minerals Management Service. And we expect that people will comply with the regulations. And the Minerals Management Service is set up to conduct that auditing function. That's an auditing function, not a strict legal matter.

Senator REID. So there is a monitoring or an auditing function, as you call it, to determine if, in fact, they are conducting their transactions at arm's length?

Mr. SMYTH. The Minerals Management Service does have that auditing function. I think the question as to the adequacy of that is a question to ask the Director of the Minerals Management Service.

Senator REID. As a Solicitor, are you satisfied with that?

Mr. SMYTH. To be quite frank, I have not examined that particular aspect of it.

Senator REID. Nor have I. Whenever we talk about arm's length, for the third time, it's easy to say arm's length, but why don't we do this.

Why don't you look into this for me and indicate to the subcommittee what has happened in the past as far as auditing to determine if, in fact, they have been conducted at arm's length?

And that way, we can get a good picture of what we can expect in the future.

Mr. SMYTH. Mr. Chairman, I'd be happy to do that.

[The information follows:]

ARMS-LENGTH PROVISION

MMS's existing coal valuation regulations, and gas valuation regulations applicable to pre-June 1977 contracts, give almost conclusive weight to arms-length contract prices as a reasonable royalty value. In all other instances of coal, oil and gas valuation, MMS auditors consider the arms-length[1] character of a transaction as one factor in determining the value upon which royalties will be computed. MMS auditors view the price specified in an arms-length contract is likely to reflect the reasonable value of the product for royalty purposes. However, the existing regulations do not define the term "arm's length." The MMS auditors, accordingly, take a commonsense approach in evaluating all of the available facts and circumstances concerning a given contract, in order to examine whether the relationship between buyer and seller involves any affiliations through ownerships, control, or contractual relationships which would suggest that the contract price does not reflect the market price.

---

[1] This discussion, as well as that in the oral testimony, is based upon the premise that the arm's-length character of a transaction is relevent to the determination of the value of the product upon which royalties will be calculated. Of course, nonarm's-length contracts are not prohibited; it is simply that the price stated in such contracts may not be an accurate reflection of the value of the product for royalty purposes.

MMS has currently under consideration proposed regulations which would define "arm's length" utilizing specific criteria, thus providing the MMS auditors with clear guidance. The arm's-length concept would play a more central role in these proposed regulations than in the existing regulations, because arm's-length contract prices would be accepted conclusively as a reasonable value for royalty purposes.

ADDITIONAL COMMITTEE QUESTIONS

Senator REID. I think that's about it. We're going to turn now to the inspector general. We appreciate very much your coming here this afternoon and helping us to make our way through this.

Thank you very much. There will be some additional questions from Senators which will be submitted to you for your response.

Mr. TARR. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Solicitor's Office Staff Attrition

Question: With respect to the staff attrition which you are now experiencing --- has this occurred evenly across your range of program support responsibilities, or have the majority of the vacancies occurred more heavily in one area than another?

Answer: As between Washington and the field, attrition in FY 1987 has been relatively balanced. Within the field structure, offices are organized geographically rather than by program, and attrition has, accordingly, been relatively balanced. In Washington, the Division of Energy and Resources has been subject to a higher attrition rate than the other divisions (as has been true in other recent fiscal years). For this reason, we have requested three "catchup" positions for the division in FY 1988.

Question: Are you prepared to transfer staff to make up for any uneven shortfalls which may occur in some areas?

Answer: Yes.

Tribal Reclamation Funds

Question: We understand that some members of Congress have an interest in modifying the Surface Mining Control and Reclamation Act to permit certain Indian tribes to have access to reclamation monies contributed to the Abandoned Mine Land Fund through fees on coal mined on tribal land. Has your office participated in the drafting of such legislation?

Answer: Yes, the Division of Surface Mining has advised and assisted the Office of Surface Mining Reclamation and Enforcement in drafting legislative proposals.

Question: If so, would such amendments to permit tribal access to AML funds, without requiring tribal primacy over a regulatory program first, be consistent with the existing law?

Answer: No. The Surface Mining Act currently prohibits the Secretary from approving, funding or continuing to fund a state or tribal reclamation program unless that state or tribe has an approved regulatory program pursuant to section 503 of the Act. See 30 U.S.C. 1235(c) and (k).

Question: Would you be concerned about the precedent that such a change would have on the various state operated regulatory programs?

Answer: The administration is currently studying this issue.

NTL-5 Retroactivity

Question: I would like to ask a few questions about the "product valuation" regulations which the Minerals Management Service has drafted for comment. Specifically, what is the legal basis for the planned retroactive revaluation of NTL-5 gas well prices?

Answer: The Office of the Solicitor conducted a review of the case law regarding retroactive rulemaking and advised the Minerals Management Service that retroactive rules are not per se illegal. Rather, as the treatise writers have recognized: "Like retroactive statutes retroactive rules are valid if they are reasonable, but are invalid if their retroactivity is unreasonable in the circumstances." K. Davis, Administrative Law Treatise § 7:23 (2d Ed. 1979). Accordingly, judging the appropriateness of retroactivity is essentially a fact-bound determination. At this time, the Department is examining the factual information developed through the rulemaking and the associated legal issues to determine whether a retroactive rule is "reasonable in the circumstances" and warranted.

Royalty Collection - Revaluation and Refund

Question: Since some Indian tribes and States have already collected royalties on these sales, why should they have to refund a portion of these collections due to a subsequent revaluation of gas prices?

Answer: The Department understands that some oil and gas lessees did pay additional royalties in accordance with the original NTL-5 provisions, either voluntarily or as the result of audit. Some or all of those additional royalties would not be owed if NTL-5 is modified retroactively. Because the lease terms provide that royalties must be paid in accordance with regulations applicable at the time of production (provided that the regulations are not inconsistent with the lease), and because the effect of the retroactive rulemaking would be to revise the rules applicable to the time of production, any royalties in excess of amounts due pursuant to regulation constitute overpayments which the recipient (whether the federal government, states, or Indians) should refund to the lessees.

Arm's-Length Contracts

Question: What provisions are included within those regulations to assure that any product sales agreements are conducted at "arms length?" Are you confident that these provisions are not subject to challenge and reversal?

Answer: We assume that this question is directed to the proposed coal, oil, and gas valuation regulations, not the NTL-5 rule.

The Minerals Management Service (MMS) included in the proposed regulations a definition of arm's-length contract. MMS has not made any decisions on whether to adopt the proposed definition or modify it in response to comment.

Because the definition of arm's-length contract is relevant only for purposes of application of the product valuation regulatory scheme, we assume the definition ultimately adopted will be given considerable deference by the courts, given the Secretary's broad authority under the relevant statutes and leases to establish value for royalty purposes. The Solicitor's Office will of course be advising MMS on how to maximize defensibility, based on the record developed in the rulemaking.

Indemnification for Helium Purchases

Question: Would you discuss for the subcommittee the indemnification issue with respect to federal purchases of helium? What can and has been done to limit the government's liability for large payments under this program?

Answer: At the time the government entered into the helium purchase agreements in 1961, the helex companies were not sure of the validity of title to the helium to be sold to the government. They felt they could be subjected to litigation over the validity of their title. They requested protection in case of a successful challenge. In response to these concerns, Department officials agreed to a provision in the four contracts, by which the companies agreed to warrant title to the extent that they were not required by litigation to pay third parties more than about $3.00 per Mcf of helium. The government agreed to indemnify the companies for amounts the companies had to pay to third parties in excess of the $3.00 amount.

Litigation over the question of title to the helium ensued shortly after the contracts were agreed upon, and the government joined the litigation in an effort to assure that the helex companies' title was found valid (and ensure that the indemnification provisions would not be implicated). The United States District Court for the District of Kansas held in 1968 that the companies' title was good. In 1971 the U.S. Court of Appeals for the 10th Circuit agreed, but nevertheless held that the helex companies were required to pay the lessee-producers of the helium for the value of the helium. Additional proceedings followed in the District Court and the Court of Appeals, and values for the helium were eventually established by the district court. Certain of those value determinations are presently under appeal in the 10th Circuit.

The government has actively participated in this litigation during both the title and value phases. In one of the cases, involving Phillips Petroleum Corporation, the U.S. District Court for the District of Oklahoma found a value less than the point at which the indemnification provision would come into play. In another instance, Cities Service Helex waived its rights under its indemnification provision in the settlement of litigation in the Court of Claims involving the government's alleged breach of the 1961 helium purchase agreement. A third situation involved National Helium Corporation. After a 1983 decision of the Kansas district court setting the value for National's helium at $3.82 per Mcf, National claimed the government had an indemnification liability of about $69 million. This claim was settled for about $3.4 million.

The Kansas district court found the value of Northern Helex's helium to be $3.22 per Mcf. Northern has appealed this determination to the 10th Circuit. Northern has also filed suit in the Claims Court seeking a recovery of about $24 million under the indemnification provision of its contract. Action on that suit has been suspended pending the 10th Circuit's decision on Northern's appeal. We have requested the Department of Justice to file a $20.8 million counterclaim against Northern in the Claims Court action.

In sum, a $69 million claim has been settled for $3.4 million, and the validity of a $24 million claim has yet to be determined. Further, by obtaining a waiver of Cities Service's indemnification claim in the settlement of the Court of Claim litigation, the government has precluded an indemnification claim from Cities Service that could have been as high as $38.8 million. Thus, the government has been successful to this point in limiting liability under the indemnification provisions.

QUESTIONS SUBMITTED BY SENATOR JAMES A. McCLURE

Santa Monica Mountains National Recreation Area

Question: In March of this year, a California real estate developer was indicted by a federal grand jury on charges that he and two associates fraudulently inflated the value of a scenic tract of land that was sold to the National Park Service for $8.0 million. Estimates indicate that this price could have been as much as $2.6 million more than the fair market price.

Can you elaborate on this tract of land as well as any actions that you are planning to undertake in this case?

Answer: The land involved in the criminal case was acquired by the National Park Service for inclusion in Santa Monica National Recreation Area. The land was acquired from The Trust for Public Lands on or around January 10, 1985. The basis of the acquisition was investigated by the Inspector General, and the information developed in that investigation was provided to the U.S. Attorney.

Since this matter is the subject of a criminal indictment and the case will be tried in the near future, our comments must be limited. As to the actions of this Office, we are assisting the U.S. Attorney, as requested, in the criminal case. There have also been discussions with the U.S. Attorney on possible civil causes of action that may lie for damages, that is payment of excessive purchase price, once the criminal case has been concluded.

Question: Is there any reason to believe that the Park Service or the third party land acquisition organization were involved in any way in inflating the estimated value paid by the Government for this acquisition?

Answer: We must necessarily defer commenting on the merits and facts of the case until the criminal proceedings have been concluded.

City of Longmont Dams

Question: In reviewing the Longmont dam case, which I believe this Department is in the process of settling, I have become extremely concerned about the process which the Solicitor's Office follows in determining what the applicable water rights a local town may have.

Can you explain the process?

Answer: The water rights of a local town in the State of Colorado are perfected through river basin adjudication proceedings under state law. Claims to water are filed, notice provided to the various water users and the water court issues an opinion adjudicating the respective water rights. Changes in the points of diversion, as well as the beneficial use, are subject to the same judicial procedures. These proceedings are public and result in a final judicial decree. These court decrees are reviewed by the Solicitor's Office, usually in a Regional Solicitor's Office, in order to analyze and determine the scope and nature of a local town's water rights. With respect to the City of Longmont, the United States was a party to the city's 1981 Water Court proceedings concerning the storage and use of the water of the three dams owned by the city. In addition, the Regional Solicitor's Office reviewed the 1979 and 1983 decrees of the Water Court that adjudicated the water rights of the city to the three reservoirs, and concluded that the city's water rights were consistent with an 1892 right-of-way grant.

Because the Longmont Dams were located on public domain lands under an 1892 right-of-way act, subsequently repealed by FLPMA, and the 1892 act authorized reversion of the lands for failure to use the dams for irrigation and drainage, the legal issues were complex. In addition, during the review of land acquisition options, BLM changed its right-of-way regulations to grant the same rights and protections to pre-FLPMA rights-of-way as post-FLPMA rights-of-way, thus allowing the city the right to "cure" any alleged misuse of water. Finally, as in most such matters, Washington reviewed the conclusions of the Regional Solicitor, in consultation with the Department of Justice. This process led to a change in our initial views, to the conclusion that the city has a compensable property right in the dams, and to the conclusion that the city's water rights were consistent with the 1892 Act.

OFFICE OF INSPECTOR GENERAL

STATEMENT OF JAMES R. RICHARDS, INSPECTOR GENERAL

ACCOMPANIED BY:

JOYCE N. FLEISCHMAN, DEPUTY INSPECTOR GENERAL

DANNY P. DANIGAN, ASSISTANT INSPECTOR GENERAL FOR ADMINISTRATION

THOMAS T. SHEEHAN, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

HAROLD BLOOM, ASSISTANT INSPECTOR GENERAL FOR AUDITS

PREPARED STATEMENT

Senator REID. Testifying for the Office of Inspector General is Mr. James R. Richards, inspector general of the Department.

The fiscal year 1988 budget request for the Office of Inspector General totals $18,090,000, which is an increase of $1,790,000 above the appropriation to date for the current year.

The request also includes an increase of 11 FTE's for a total of 301.

Mr. Richards, we welcome you to the committee. We have your prepared statement and we will insert it in the record as if read.

[The statement follows:]

STATEMENT OF JAMES R. RICHARDS

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to appear before you to discuss the proposed budget for the Office of Inspector General for fiscal year 1988. As you know, the mission of our office is to promote economy and efficiency in the administration of, and to prevent and detect fraud and abuse in the Department's programs and operations. In addition, we strive to keep the heads of the Department and the Congress fully and currently informed about the problems and deficiencies uncovered by our audit and investigative efforts.

Our fiscal year 1988 budget request totals $18,090,000. This is a net increase of $1,790,000 above the 1987 enacted amount. We are asking for the following increases. An additional $634,000 is requested to provide eight additional audit positions to cover the audit responsibilities placed on the OIG as a result of the Compacts of Free Association Act. The compacts and their fiscal procedures agreements leave the audit responsibilities with the Office of Inspector General, Department of the Interior. We believe that these additional positions are necessary in order to do the audits. We have recently received a number of allegations concerning possible irregularities in the Northern Mariana Islands, which may also require us to spend more audit time there. In addition, we are seeking a $146,000 increase to provide for three investigative positions to do cases initiated by the Office of Inspector General based on audit leads or other indicators of possible fraud or criminal activities. The remainder of the increase is budgeted for across-the-board pay increases and to compensate for changes in the Federal retirement system that took place this fiscal year.

Our primary audit emphasis for fiscal year 1988 will be placed on multi-location, mission-oriented reviews of departmental or bureauwide functional areas. These audits will be initiated to determine if the efficiency and economy of bureau or departmental operations could be improved by eliminating duplication and fragmentation of administrative or unneeded functions, or otherwise improving overall management procedures and controls. We will evaluate how Interior organizations could be structured to best assist managers in performing their jobs and identifying activities that could be eliminated, combined, simplified, or reduced. One such audit we have started is a review of the administrative organization of the National Park Service. To date, we have concentrated our efforts on this audit in reviewing opportunities that will align resources (funds and personnel) with priorities (mission). We will continue our audit of the organization of the National Park Service and, based upon those results, similar audits will be planned for the Fish and Wildlife Service and the Bureau of Indian Affairs.

As in the past, we will continue to conduct audits covering selected aspects of the Department's Royalty Management Program. Currently, we have a major ongoing audit effort that is examining responsibilities and accomplishments of various activities with the Minerals Management Service. In addition, we are reviewing implementation of prior audit recommendations on Indian oil and gas royalty issues as identified by a September 1986 House Appropriations Committee report. Review of royalty management requires a substantial commitment of our audit resources, but is necessary in ensuring the adequacy of operations for collection of royalty payments. The results of our ongoing efforts will be summarized in our next biennial report on the Federal Royalty Management Program.

Our workload continues to increase under the Single Audit Act of 1984. This increase is attributed to more entities complying with the act's requirement for annual audits. During fiscal year 1986, 223 audits were completed representing a 65-percent increase over the fiscal year 1985 workload. For the first half of fiscal year 1987, we received and reviewed 85 audits for which we are the cognizant agency; however, we estimate that by fiscal year-end, an additional 200 audits will be completed as entities are attempting to comply with the Single Audit Act requirements. This will be a 28-percent increase over fiscal year 1986. In addition, by fiscal year-end, we will have reviewed and processed 309 reports issued by other Federal agencies (collaterals). We will continue to fulfill our responsibilities as the cognizant and collateral agency by assuring the quality and adequacy of these reports.

We are currently making plans to open a suboffice in Saipan. We believe that an audit presence on Saipan is now required to meet Department and congressional concerns about the financial status and operations in the northern Pacific. Recent audit and investigative efforts have resulted in significant findings and recommendations. These efforts have led to indictments and convictions of officials at all levels of the territorial governments.

During the past year, we have made audit followup reviews to analyze the extent to which departmental management has taken action to fully implement audit recommendations. Unfortunately, the results have not been encouraging. Overall, we found that 47 percent of the recommendations we reviewed, where management had agreed to take corrective action, had in fact not been implemented. In the territories, the rate of noncompliance was found to be even higher. This is of particular concern since territorial Governors are only required to respond to audits, not implement recommendations.

In the coming year, we will expand our audit followup efforts and will be conducting followup reviews on a continuing basis. Specifically, we will be committing audit resources to validate whether audit recommendations have been effectively implemented.

In accordance with our ongoing strategy under the provisions of the Federal Manager's Financial Integrity Act of 1982 and OMB Circular A-123, we will continue to perform a comprehensive review of at least one major bureau's accounting system. Recently, we completed our review of the Fish and Wildlife Service's financial accounting system and issued our final report in the first quarter of the current fiscal year. Additionally, we will continue to make progress in testing and reporting on the Department's system of internal controls.

Investigations will continue to focus on the most serious allegations of criminal or fraudulent activity in the Department's programs and operations, while referring less serious and administrative matters back to the appropriate bureaus for their review and action, subject to our oversight. As noted in our budget submission, investigations has had an exceptionally productive year for the second year in a row. This trend continues in fiscal year 1987 as evidenced by the recent conviction of the former Governor of Guam, along with two of his top aides, and last month's indictment of a group of Los Angeles, CA, real estate speculators in a scheme to defraud the National Park Service of $3 million.

With each new success comes additional demand for our agents' services, and even with the constant increase in selectivity and dollar thresholds, our criminal caseload rose from 354 cases in fiscal year 1985 to 444 cases in fiscal year 1986. The requested additional $146,000 represents three additional agent positions to meet these demands.

This concludes my statement. I will be glad to answer any questions that you may have.

INTRODUCTION OF ASSOCIATES

Senator REID. Would you introduce those whom you brought with you for the record today, and then we'll proceed to the questions.

Mr. RICHARDS. Yes; with me is my Deputy, Joyce Fleischman; inspector general for administration, Dan Danigan; our local gumshoe for investigations, Tom Sheehan; and Harold Bloom, assistant inspector general for audits.

CASE SELECTIVITY

Senator REID. Mr. Richards, we understand the demands upon your time are increasing continually. You note in your statement that you are having to be more selective in the cases which you choose to audit.

Apparently, the dollars involved and the alleged violations have to be even higher this year than last before you can afford to commit resources of your office to an investigation.

What is the present approximate dollar threshold below which you will simply refer a case back to the bureau or agency for action?

Mr. RICHARDS. It isn't based solely on the dollar threshold, Mr. Chairman. It's based on whether there's an allegation of a violation of the criminal laws or an allegation of egregious abuses by employees or contractors.

So, it's the severity of the alleged violation rather than a dollar threshold; although, obviously, when it comes to embezzlement or petty thefts or that sort of thing, we don't establish a dollar threshold. We look at the allegations and, even if true, if it would be a theft of $100, we'd ask the bureau involved to conduct an investigation and we would oversee it.

Senator REID. You don't dispute the fact that there have been increasing demands upon your office?

Mr. RICHARDS. No; in fact, I mentioned it in my statement.

Senator REID. The reason that we have this question is that, from your statement, right, in fact, in the next to the last paragraph, with these uses, even the criminal caseload rose from 354 cases in fiscal year 1985 to 444 in fiscal year 1986.

They requested $146,000. I think that the problems relate as much to dollar amount in the judgment and experience of your office as to the severity of the problem, whether it be civil or criminal.

Mr. RICHARDS. Yes; although I concede the dollar thresholds do have an effect on some kinds of alleged crimes, like thefts and embezzlements.

SERIOUS VIOLATIONS

Senator REID. Do you feel that there are any serious violations that simply go uninvestigated? Or you just have to wait so long that the whole purpose of your job is lost in the timespan it takes to get to the problem?

Mr. RICHARDS. Obviously, in investigations, we try to make the best use of our resources that we can, and I think we do. Our Investigations Office does a masterful job at that.

Senator REID. Let me interrupt and say that we're on your side.

Mr. RICHARDS. Yes; I realize that. I know the committee is supportive of our effort to root out fraud and corruption and other abusive types of conduct. I don't know what the saturation point is, but we devise a lot of methods in order to make our resources stretch.

Obviously, one of them is to take a quick look at the allegations when they come in, maybe do a quick check. And if it doesn't look terribly serious, to refer it back to the bureau. And then make sure—if bureaus have investigative resources—that they do their investigation with our oversight, and save our resources for the more serious matters.

Senator REID. So, in naval talk, you are not hitting all the problems that exist?

Mr. RICHARDS. I would expect that probably there are problems that you and I, none of us, know about.

ADDITIONAL RESOURCES

Senator REID. If you had more resources, you'd be able to get to those. Is that right?

Mr. RICHARDS. If we had more resources, we would be doing more of what we call proactive work. Most of the time in our business on the investigative side of the house, we are reacting to allegations that are coming in the door and over the transom and on the hot line and from various other sources.

Senator REID. You're pretty much on your own. You're responding to complaints and inquiries?

Mr. RICHARDS. Certainly. We have to do a lot of reacting. But, we also occasionally are able to do proactive work. For example, we go out and look at a particular area in a systematic way from an investigative standpoint.

Senator REID. But your resources are somewhat limited to allow you to do that very often.

Mr. RICHARDS. Yes; the proactive work suffers, Mr. Chairman.

Senator REID. Will the three additional investigators requested in the budget in any way allow you to stabilize the workload?

Mr. RICHARDS. Well, I think it will help—particularly, in the territories. I'm sure you're aware of the fact that under the Omnibus Territories Act of 1982, I, as inspector general, am the Comptroller of the Pacific trust territories, American Samoa, Guam, and the Virgin Islands.

Some of those governments, unfortunately, tend to be corrupt. Some people prey upon them, such as international con men who try to cheat them out of funds. We have to have a considerable presence there.

Lots of times our auditors are the ones who turn up the violations which the criminal investigators then go after.

With three additional FTE's, we think we'll be able to shore up our investigative resources in the territories.

Senator REID. Let me ask you this. If you had your druthers, instead of coming here asking for three, and you were in the private sector, what would you be requesting—rather than three?

Mr. RICHARDS. That's a very difficult hypothetical question to answer, Mr. Chairman.

Senator REID. No; it's not. [Laughter.]

Mr. RICHARDS. Within the constraints of my being part of the executive branch and supporting the President's budget I don't want to do that, but, obviously, we have very modest investigative resources. There are other investigative resources within the Department. For example, there are the National Park Service and the Fish and Wildlife Service units.

Senator REID. You're kind of beating around the bush here.

Mr. RICHARDS. Yes; I think I probably am. But I think, sure, if I had my druthers, in a perfect world, I'd probably have more resources.

Senator REID. Three-six-nine. Let's just talk about investigators now, not the whole works.

Mr. RICHARDS. I'd probably have more than I have. You can increase your workload.

Senator REID. You obviously have read the directive from OMB. [Laughter.]

Mr. RICHARDS. And since I'm an inspector general, I don't want to break the rules—I try to follow them.

DISPOSITION TIME FOR CASES

Senator REID. What is the present average disposition time for an investigation?

Mr. SHEEHAN. Mr. Chairman, that varies considerably with the investigation. We do simple cases that are done in 3 months. We have some that go on for 3 years.

AUDIT FOLLOWUP

Senator REID. I understand that. With respect to your auditing activities, I note with some concern, in your statement—and it's on page 2—that throughout the Department, in 47 percent of your audits where management has agreed to take correction action, on followup inspection, no action had, in fact, been taken.

First, how much time do you give a manager before conducting a followup review?

Have they in all 47 percent of the cases had adequate time to take corrective action?

Mr. RICHARDS. Let me explain how this works to put my answer in the proper context.

When we do an audit, the auditors make certain findings and they make certain recommendations to management as to what corrective action needs to be taken. At that point, management agrees that corrective action needs to be taken; they commit in writing to do it; and they give us the corrective plan along with a timetable to do it.

We then say to management, OK, that issue is resolved.

Then it is up to management to make sure that those corrective actions are carried through.

What we're finding is that those promises to make those corrective actions aren't always fulfilled. We detect this by going out and doing what we call audit followup to see, actually, if what they committed to do they have done or have taken steps to do.

Senator REID. But, one of the questions is, is it that they're not following up because they don't have time, from the time the initiative should be taken? Or they're just not doing it?

What is the problem?

Mr. RICHARDS. A combination of both. Resource problems, of course, in the field.

Senator REID. The same problems your office has.

Mr. RICHARDS. Sure. The Bureau of Land Management and the Bureau of Reclamation have resource problems as well. They're highly decentralized. They have their field resources employed and constantly are assessing priorities as there are demands from the Congress.

That's part of the reason and the other part is they're just not doing what they said they were going to do.

Senator REID. Do you have a timeframe that you give a manager to conduct followup?

Mr. RICHARDS. Well, the timeframe is in the corrective action plan.

Senator REID. But there is no set time?

Mr. RICHARDS. For example, what could be required to correct the problem could be to propose and implement new regulations which could take some time.

Senator REID. I would assume the same answers we have back here.

Mr. RICHARDS. Or, if it would take the drafting of a new Department order or a new section in the manual, it could take some time. But, oftentimes, management can take corrective actions while we're doing the audit.

Senator REID. Is there anything that we can do to ensure that corrective action is, in fact, undertaken in a timely manner?

Mr. RICHARDS. Yes; I have now pledged to the Secretary that I'm going to go out with the carrot and the stick and try to urge managers to be a little more responsive. And the Secretary is doing his part. I've just sent to him a memo for all bureau directors on this subject, lighting the fire a bit. I think this will help.

PARK SERVICE REVIEW

Senator REID. On another topic, what have been your findings to date on the ongoing review of the Park Service?

Mr. RICHARDS. We've just finished the survey of part one of five parts.

Senator REID. You've completed part one of five parts.

Mr. RICHARDS. The survey of one part. We haven't completed the audit yet. The audit will probably be another 3 months.

The survey, Mr. Chairman, is where the auditors go and take a very quick, high level look, across the board to see if there are any problems.

We just completed this survey of the Park Service's way of handling financial administration.

We see some problems, for instance, in their financial accounting systems. Every little park has its own accounting system. They're incompatible with the other accounting systems in the region. The Department is moving toward a unified financial accounting system.

It's going to be a tough job.

Senator REID. You expect to have something in 3 to 4 months?

Mr. RICHARDS. Yes; for the first part. We're going to do five different areas, so we will have a series of audit reports.

Senator REID. So, maybe next year at this time, you'll have it completed?

Mr. RICHARDS. Yes; I hope so. It's in our audit plan to have at least the first two parts completed by the end of this fiscal year and to do the next three parts, I believe, over the next fiscal year.

Senator REID. Have you reviewed the reassignment of the Service's Policy Office from its previous reporting relationship to the Director to its new position under the Assistant Director for Administration?

Mr. RICHARDS. No.

Senator REID. Could you do that for us?

Mr. RICHARDS. Are you speaking of the Park Service?

Senator REID. Yes; I am. Because it all relates—it doesn't seem to make sense to me to remove the policy function from the Director's immediate responsibility, when he is, in fact, the principal policy officer for the Park Service.

So, in your review of the other things, I think this is something you should look into.

Mr. RICHARDS. We'll have a look at that.

Senator REID. Thank you for your testimony, Mr. Richards.

ADDITIONAL COMMITTEE QUESTIONS

The subcommittee will have additional questions to submit for each of the agency's responses for the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Audits

You have requested an increase of $634,000 in the audit program. These funds will provide an additional eight audit positions which are needed to provide a minimum level of audit coverage for the new Compact of Free Association governments.

Question: How do you foresee your audit role?

Answer: The basic role of the OIG is to provide audit coverage of the Compact Governments. This responsibility includes oversight of external single audits performed by independent public accounting firms, and performing internal audits of programs administered by the Compact Governments. Our Northern Pacific Region located in Guam will be responsible for performing this oversight. During FY 1988 we plan to provide 180 staff days to the oversight of single audits of the Compact Governments to ensure that public accounting firms adhere to government auditing standards and comply with OMB regulations. We also plan to provide 8 staff years for internal audits that emphasize reviews of the procurement functions and financial management activities of the Compact Governments. These proposed audits will be coordinated with the Auditors General of each government to allow an opportunity for joint participation by their offices. In summary, our basic audit objectives will be to provide oversight and assistance to the Compact Governments for the purpose of improving their system of internal controls and to provide assurances to other Federal agencies that Federal grant funds are used as intended.

Question: Why are you only proposing a minimum level of audit coverage instead of a maximum level of audit coverage?

Answer: The minimal level of audit coverage planned for FY 1988 will enable our office to assess total work load requirements and provide an orderly assignment of audit resources into priority areas. Because the Compact Governments are relatively new, we concluded that a more prudent approach would be to proceed cautiously in the beginning until we learn more about our total resource needs in comparison to our work load responsibilities. In conjunction with this, we plan to demonstrate to each government the benefits that can result from our internal audits and to emphasize the importance of overseeing the integrity of Federal funding provided for various compact projects.

Another factor to consider is that we have experienced some difficulties in recruiting qualified personnel for our North Pacific Region, which will be responsible for auditing the Compact Governments. These recruiting difficulties relate to factors such as remote audit locations, undesireable school systems for auditors with children, and the lack of professional development opportunities. Consequently, we need to carefully select applicants who are best suited to cope with these drawbacks and thereby bring the Northern Pacific staff up to fully authorized staffing levels.

Question: What funding would be required for a maximum level of audit coverage?

Answer: A maximum level of funding and audit resources can be determined only after we have gained additional experience and knowledge in auditing the newly formed Compact Governments. For example, we have previously noted numerous management deficiencies establishing benchmarks for measuring the effectiveness of programs funded by Federal Grants. The Compact Governments should be provided some opportunity to implement corrective management actions previously recommended before we attempt to maximize our audit coverage. Once this has taken place and we have gained more audit experience, we will be in a better position to project the required resources needed to effectively maximize audit coverage of these new governments. Our future budget submissions will include resource requests commensurate with the expected level of effort needed to maximize our audit effectiveness.

Investigations

Question: What is your present pending investigation caseload and what do you project to have on hand at the beginning of FY 1988 and the beginning of FY 1989?

Answer: The pending caseload fluctuates from day to day as some cases are closed and new ones opened. As of April 1, 1987 the pending caseload was 330, which is a fairly typical number. Assuming that we have 53 FTE's in FY 1988 and no unusual matters that place a disproportionate burden on our resources the pending caseload should gradually escalate, although it is difficult to predict a specific number.

Question: What is the present average disposition time for an investigation? How does this compare with FY 1985 and with your projection for FY 1988?

Answer: The average disposition time (where time is defined as the number of days between the date the case was opened and the date it was closed) is 235 days for all cases during the period September, 1980 to present. However, as stated in testimony, that is a marginally useful statistic since there is no normal distribution and the amount of work actually done on a given case is often unrelated to the total number of days the case remained open.

Audits

Question: Your largest single increase is for eight FTE's to perform audit functions under the Compact of Free Association. It is our understanding that the Department has entered into a "Fiscal Procedures Agreement" with the Compact Governments, is that correct?

Answer: Yes.

Question: How many DOI auditors will be required under this agreement in FY 1988, FY 1989 and later?

Answer: During FY 1988 we plan to provide 9 staff years for internal audits that emphasize reviews of the procurement functions and financial management activities of the Compact Governments. These proposed audits will be coordinated with the Auditors General for each government to allow an opportunity for joint participation by their offices.

The future level of funding and audit resources can be determined only after we have gained additional experience and knowledge in auditing the newly formed Compact Governments. For example, we have previously noted numerous management deficiencies in the predecessor territorial governments. Also, there have been some difficulties establishing benchmarks for measuring the effectiveness of programs funded by Federal grants. The Compact Governments should be provided some opportunity to implement corrective management actions previously recommended before we attempt to maximize our audit coverage. Once this has taken place and once we have gained more audit experience, we will be in a better position to project the required resources needed to effectively maximize audit coverage of these new governments. Our future budget submissions will include resource requests commensurate with the expected level of effort needed to maximize our audit effectiveness.

Question: How many of these positions are included within the base auditing program which, presumably, provided support to the Territorial Governments?

Answer: The 1988 base program did not include any audit resources for the Compact Governments. However, the audits that are proposed using the 9 positions are contained in the fiscal year 1988 Suggested Audits section of our budget submission.

Question: Mr. Richards, has your office been involved in a review of the Product Valuation Guidelines of the Minerals Management Service? If so, could you elaborate on the problems with the existing guidelines and why the proposed guidelines which would reduce royalty payments to the states, tribes and the Federal government are more equitable, if that is the case?

Answer: The Office of Inspector General is currently conducting a review of mission accomplishments of the Minerals Management Service. In regard to product valuation, our review does not include an evaluation of the quality of the Minerals Management Services proposed product valuation regulations. However, we are evaluating how the regulations will affect the Minerals Management Service's management and use of personnel resources including the Royalty Valuation and Standards Division.

In regard to the existing regulations, we encountered numerous problems when we conducted audits of royalty payors primarily for natural gas valuation. One example was natural gas sales contracts containing take-or-pay provisions. Also, in recent years the actual prices received by producers for natural gas were less than the amounts authorized by the Natural Gas Pricing Act. When these situations were encountered, we had to request on a case-by-case basis royalty valuation determinations from the Minerals Management Service. The new regulations should significantly simplify valuation procedures.

SUBCOMMITTEE RECESS

Senator REID. As we indicated earlier, the subcommittee will now stand in recess until 2 p.m., April 28, when we will hear testimony on the 1988 budget request for the Bureau of Mines and the Office of Surface Mining.

We stand in recess.

[Whereupon, at 3:15 p.m., Thursday, April 23, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, April 28.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

TUESDAY, APRIL 28, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:22 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Harry Reid presiding.

Present: Senator Reid.

DEPARTMENT OF THE INTERIOR

OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

STATEMENT OF JED D. CHRISTENSEN, DIRECTOR

ACCOMPANIED BY:
- ROBERT E. BOLDT, DEPUTY DIRECTOR, ADMINISTRATION AND FINANCE
- JAMES W. WORKMAN, DEPUTY DIRECTOR, OPERATIONS AND TECHNICAL SERVICES
- ROBERT J. LAMB, CHIEF, DIVISION OF BUDGET OPERATIONS (B), OFFICE OF BUDGET, DEPARTMENT OF THE INTERIOR

BUDGET REQUEST

Senator REID. Good afternoon. The subcommittee will come to order.

I apologize to everyone for being late, but we had a vote that came at 2 o'clock. It took a little while to get over here after the vote.

This is the time scheduled for the Department of the Interior and Related Agencies Appropriations Subcommittee to hear testimony from administration witnesses on the fiscal year 1988 budget requests of the Office of Surface Mining and the Bureau of Mines.

Testifying first on behalf of the Mining Regulation and Reclamation Program request is the Director of the Office of Surface Mining, Jed Christensen. He will be followed by the Director of the Bureau of Mines, Mr. Robert Horton.

The fiscal year 1988 budget request for the Office of Surface Mining totals $292,404,000, a net decrease of $11,319,000 from the appropriation to date for the current year. Of this decrease, $16,921,000 comes from the request for the abandoned mine reclamation fund; and this amount is partially offset by an increase of $5,602,000 in the "Regulation and technology development" account.

PREPARED STATEMENT

Mr. Christensen, welcome before the subcommittee this afternoon. We have your prepared statement, and it will be inserted into the record at this point. After introducing your associates who are here with you, if you would care to summarize your prepared remarks briefly, we will then move to the subcommittee's questions.

[The statement follows:]

STATEMENT OF JED D. CHRISTENSEN

I am pleased to appear before you to discuss the Fiscal Year 1988 budget request for the Office of Surface Mining Reclamation and Enforcement (OSMRE).

It has been two years since I was appointed Director of OSMRE. In that time, many changes have occurred in the agency's structure, performance, and long-term goals and objectives. Agency operations are being decentralized in order to bring inspection, enforcement, and technical assistance functions closer to the areas they service. The future of the agency is being structured to ensure that the spirit of stewardship that was entrusted to OSMRE in 1977 remains strong and effective as we enter the second decade of the Surface Mining Control and Reclamation Act (SMCRA). We are still in the process of addressing some serious problems. We are doing so in an open manner, using the advice of Congress, industry, and environmental organizations in our quest for effective administration of the Act and our regulations. We are convinced that our approach of firm direction and goals with realistic time frames will enable us to continue this progress.

Our Fiscal Year 1988 budget proposal will lead to further improvement at OSMRE. The request of $292.4 million represents a decrease of $11.3 million from the 1987 appropriation enacted by Congress, reflecting overall budgetary constraints. However, most major program areas will remain at current levels, and increases are being proposed to address our most critical priorities. For example, the budget includes increases to continue implementation of the Applicant Violator System (AVS) and information management systems related to assessments and collections of civil penalties and Abandoned Mine Land fees. Trade-off budget savings are made possible due to workload reductions in certain areas (e.g., mining plan review and reclamation project review) or due to the non-recurrence of items funded in 1987 such as decentralization costs. The proposal thereby demonstrates the agency's commitment to the mandates set forth in SMCRA, by which the States have primary responsibility to carry out program operations and we maintain the capacity for program oversight and management.

The following is a summary of the highlights of our request.

The Regulation and Technology appropriation is proposed at $105.6 million, an increase of $2.9 million from the Fiscal Year 1988 base.

We propose to maintain **State Regulatory Program Grants** at the base level of $45.1 million for the 24 States with regulatory primacy status. In 1987 a major increase was proposed and enacted, and that level will be sufficient to support State efforts to carry out responsibilities for regulatory programs including inspection, enforcement, permitting and AVS implementation.

Regulatory Program Operations is proposed at $20.7 million, an increase of $307,000 from the base. The increase will be used to provide additional resources for administration of the AVS and, in cases where OSMRE is the regulatory authority, to validate information provided by permit applicants and trace "relatedness" between applicants and their controllers. This will further establish the AVS as a major enforcement tool, and assure that the system focuses on action against habitual violators of SMCRA. Other areas in this subactivity, including the inspection and oversight programs, will be maintained at current levels. Consistent with the recommendations of this Committee, we have been assessing the oversight program through an aggressive outreach effort involving cooperation with States, industry, and environmental groups, and this work is leading to major program improvements.

Funding for **Technical Services, Training and Research** is proposed at $13.7 million, a decrease of $681,000 from the base. Training and technical assistance programs will be maintained at current levels. We are proposing a reduction in the mining plan review component since a peak workload period has ended, but sufficient resources are included to address new and continuing review requirements.

Assessments and Collections is proposed at $10.8 million, an increase of $2.6 million from the base. This increase will support the continued enhancement and operation of the AVS, which will be on line at the start of Fiscal Year 1988. The AVS helps to enforce SMCRA by ensuring that applicants for new mining permits are denied permits until they abate violations and pay penalties imposed as a result of these violations, or pay any owed AML fees. We have provided for expanded operation and maintenance of the system, which will be used extensively by OSMRE and the States. We also will complete Phase III of the AVS, in which the system's database will expand to include air and water quality violations associated with coal-mining operations. Our efforts to design and implement the AVS are leading to a system that will be more effective than the one originally envisioned by Judge Parker's order. The AVS will enable us to concentrate enforcement against habitual violators in order to promote abatement and deter future violations. It will clearly demonstrate our ability to focus resources and energies in a manner that promotes maximum compliance with SMCRA.

Other assessments and collections program areas will be maintained at the base level. I am pleased to report that we are making significant progress in clearing up the backlog of past cases; by the end of the current fiscal year, over $75 million in debt owed will have been reclassified. The backlog completion effort is further enabling us to achieve our goal to concentrate enforcement in the areas most likely to assure both abatement and strong action against consistent violators of the Act.

The General Administration request is divided between OSMRE's two appropriations, and then divided further into three subactivities. In the Regulation and Technology appropriation, the Administrative Support subactivity is proposed at $8.7 million, an increase of $2.1 million from the base. This increase (in addition to the requested increase of $1.0 million included in the Abandoned Mine Reclamation Fund appropriation) will primarily support program development efforts related to OSMRE's Coal Data Management Information System (CDMIS). CDMIS will integrate the agency's various information systems, linking Title IV and Title V information and providing OSMRE field installations and State agencies with full access to a central data base. It will thereby meet the total information needs that are essential to assure effective SMCRA enforcement. CDMIS involves a long term vehicle to achieve this goal. We are presently completing the systems integration plan that will provide the framework for overall development and assure that system implementation is cost-effective. In 1988, we will carry out Phase II, by which the system will expand to include State Title V enforcement data. Ultimately, information related to all significant program areas will be included. A critical problem in SMCRA enforcement has been the lack of reliable information for both OSMRE and the States; CDMIS will ultimately solve this problem, leading to significant improvements in the Act's implementation.

The General Services request is $4.7 million, a net decrease of $1.4 million. The decrease represents savings of $2.0 million derived from non-recurring costs associated with the 1987 decentralization initiative, which are partly offset by a proposed increase of $600,000 (in addition to $250,000 attributed to the AML appropriation) to consolidate Headquarters personnel in the Interior South facility. This one-time cost is consistent with other Departmental consolidation initiatives to enable managerial efficiencies and long-term cost savings.

Finally, in the Regulation and Technology appropriation, our budget proposal includes a Fiscal Year 1987 transfer of $1.3 million in unobligated balances from the Abandoned Mine Reclamation Fund appropriation that will cover pay raise and retirement system costs. The transfer will enable us to avoid modifications to our planned Fiscal Year 1987 regulatory program. It is important to note that the transfer involves funds that would otherwise be applied to Federal operations in the AML program, and it will not affect the resources available to the States.

The Abandoned Mine Reclamation Fund appropriation is proposed at $186.8 million, a decrease of $18.4 million from the base.

State Reclamation Program Grants are proposed at $150.7 million, a decrease of $9.9 million from the base. The request is similar to the level that was enacted in 1986 and proposed in the President's Budget for 1987. OSMRE supports this stable program level due to the existence of unobligated balances in construction grant funds that have been awarded to the States. States have made efforts to reduce these balances. Progress was apparent in 1986 and is expected to continue through 1988. However, the magnitude of prior-year unobligated funds, coupled with new budget authority enacted for 1987 and proposed for 1988 indicates that that States will have access to over $525 million in construction funds over the next two years. Consequently, we believe our proposal is consistent with the Department's policy to provide States with funding at a level they can administer. The proposed level of funding, along with the unobligated amounts already available, will provide adequate resources to meet State reclamation needs.

I also want to inform the Committee that we are now working out the details of a proposal to assure that States with smaller programs receive a minimum level of funding that enables them to address high priority reclamation problems and maintain program stability. We hope to implement this program later this year or at the start of the next fiscal year.

Fee Compliance is proposed at $5.6 million, an increase of $1.8 million from the base. The increase will primarily be used to implement OSMRE's fee compliance auditing priorities, which are critical to meeting the agency's goal to effect maximum feasible collection of fees, interest, and penalties. These priorities are consistent with our Title V enforcement efforts in that they concentrate program resources in areas most likely to assure enforcement against multiple violators of the Act. For example, we are carrying out audits of the largest companies, as exemplified by the effort undertaken with regard to the Rapoca Energy Company. Over 25 percent of our total audit resources are devoted to such audits. That audit policy will continue to be applied with respect to other large entities, thus increasing the impact of our fee compliance program on enforcement and collections.

The Reclamation Program Operations subactivity is proposed at $23.7 million, a decrease of $1.5 million from the base. The proposed decrease results from reduced program needs in several areas: the emergency projects program, whose requirements have decreased since the 1985 implementation of new agency policy in this area; the completion of most Tribal priority 1 and 2 projects; reduced review and inspection of AML projects due to the maturation of State programs; and diminished Title IV project monitoring workloads in the Wilkes-Barre office as prior commitments are completed. With respect to Tribal reclamation programs, however, it should be noted that we will support legislative efforts that allow the Tribes to access Title IV funding that has accumulated due to mining activity on their lands.

The Rural Abandoned Mine Program (RAMP) is proposed at $500,000, a decrease of $9.2 million from the base. Our budget proposal indicates a willingness to commit resources to critical program areas. In order to do so, however, compromises must be offered in lower-priority areas. We believe that the States should be the primary managers of their regulatory and reclamation programs. In both areas, States have demonstrated the capacity to implement comprehensive programs. Accordingly, maintenance of a separate reclamation delivery system is no longer necessary. We therefore propose that RAMP funding provide support only for the modification of existing construction contracts.

In summary, I am enthusiastic about our program accomplishments of the last two years, and I look forward to continuing our demonstrated improvements. I believe that our Fiscal Year 1988 budget will provide us with the assistance needed to achieve our goals. In doing so, I believe that the agency will set a strong precedent in responsible program management for the future. I want you to know that I remain committed to an open management policy that ensures achievement in regulation and reclamation, and also assures the continued involvement of all groups dedicated to environmentally sound surface mining. Your past support of our efforts has been appreciated, and I look forward to continued cooperation with the Committee.

I would be pleased to answer any questions at this time.

STATUS OF OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

Mr. CHRISTENSEN. It is a pleasure for me to be here today, and I appreciate your having us go ahead of the Bureau of Mines so that we will not compete with them with their impressive array of charts.

Mr. Chairman and distinguished members of the committee, I am pleased to appear before you to discuss the fiscal year 1988 budget request for the Office of Surface Mining Reclamation and Enforcement [OSMRE].

It has been 2 years since I was appointed Director of OSMRE. In that time, many changes have occurred in the agency's structure, performance, and long-term goals and objectives.

Agency operations are being decentralized in order to bring inspection, enforcement, and technical assistance functions closer to the areas they service. The future of the agency is being structured to ensure that the spirit of stewardship that was entrusted to OSMRE in 1977 remains strong and effective as we enter the second decade of the Surface Mining Control and Reclamation Act [SMCRA].

We are still in the process of addressing some serious problems. We are doing so in an open manner, using the advice of Congress, industry, and environmental organizations in our quest for effective administration of the act and our regulations. We are convinced that our approach of firm direction and goals with realistic timeframes will enable us to continue this progress.

Our fiscal year 1988 budget proposal will lead to further improvement at OSMRE. The request of $292.4 million represents a decrease of $11.3 million from the 1987 appropriation enacted by Congress, reflecting overall budgetary constraints. However, most major program areas will remain at current levels, and increases are being proposed to address our most critical priorities.

For example, the budget includes increases to continue implementation of the applicant violator system [AVS], and information management systems related to assessments and collections of civil penalties and abandoned mine land fees. Tradeoff budget savings are made possible due to workload reductions in certain areas such as mining plan review and reclamation project review, or due to the nonrecurrence of items funded in 1987, such as decentralization costs.

The proposal thereby demonstrates the agency's commitment to the mandates set forth in SMCRA, by which the States have primary responsibility to carry out program operations, and we maintain the capacity for program oversight and management.

The following is a summary of the highlights of our request.

REGULATION AND TECHNOLOGY

The regulation and technology appropriation is proposed at $105.6 million, an increase of $2.9 million from the fiscal year 1988 base.

We propose to maintain State regulatory program grants at the base level of $45.1 million for the 24 States with regulatory primacy status. In 1987, a major increase was proposed and enacted, and that level will be sufficient to support State efforts to carry out responsibilities for regulatory programs, including inspection, enforcement, permitting, and AVS implementation.

Regulatory program operations is proposed at $20.7 million, an increase of $307,000 from the base. The increase will be used to provide additional resources for administration of the AVS and, in cases where OSMRE is the regulatory authority, to validate information provided by permit applicants and trace relatedness between applicants and their controllers. This will further establish the AVS as a major enforcement tool, and assure that the system focuses on action against habitual violators of SMCRA.

Other areas in this subactivity, including the inspection and oversight programs, will be maintained at current levels.

Consistent with the recommendations of this committee, we have been assessing the oversight program through an aggressive outreach effort involving cooperation with States, industry, and environmental groups, and this work is leading to major program improvements.

Funding for technical services, training and research is proposed at $13.7 million, a decrease in $681,000 from the base. Training and technical assistance programs will be maintained at current levels. We are proposing a reduction in the mining plan review component since a peak workload period has ended, but sufficient resources are included to address new and continuing review requirements.

Assessments and collections is proposed at $10.8 million, an increase of $2.6 million from the base. This increase will support the continued enhancement and operation of the AVS, which will be online at the start of fiscal year 1988.

The AVS helps to enforce SMCRA by ensuring that applicants for new mining permits are denied permits until they abate violations and pay penalties imposed as a result of these violations, or pay any owed AML fees. We have provided for expanded operation and maintenance of the system, which will be used extensively by OSMRE and the States. We will also complete phase 3 of the AVS, in which the system's data base will expand to include air and water quality violations associated with coal mining operations.

Our efforts to design and implement the AVS are leading to a system that will be more effective than the one originally envisioned in Judge Parker's order. The AVS will enable us to concentrate enforcement against habitual violators in order to promote abatement and deter future violations. It will clearly demonstrate our ability to focus resources and energies in a manner that promotes maximum compliance with SMCRA.

Other assessments and collections program areas will be maintained at the base level. I am pleased to report that we are making significant progress in clearing up the backlog of past cases; by the end of the current fiscal year, over $75 million in debt owed will have been reclassified. The backlog completion effort is further enabling us to achieve our goal to concentrate enforcement in the areas most likely to assure both abatement and strong action against consistent violators of the act.

The general administration request is divided between OSMRE's two appropriations, and then divided further into three subactivities.

In the regulation and technology appropriation, the administrative support subactivity is proposed at $8.7 million, an increase of $2.1 million from the base. This increase, in addition to the requested increase of $1 million included in the abandoned mine reclamation fund appropriation, will primarily support program development efforts related to OSMRE's coal data management information system [CDMIS].

CDMIS will integrate the agency's various information systems, linking title IV and title V information and providing OSMRE field installations and State agencies with full access to a central data base. It will thereby meet the total information needs that are essential to assure effective SMCRA enforcement.

CDMIS involves a long-term vehicle to achieve this goal. We are presently completing the systems integration plan that will provide the framework for overall development and assure that system implementation is cost effective.

In 1988, we will carry out phase 2, by which the system will expand to include State title V enforcement data. Ultimately, information related to all significant program areas will be included.

A critical problem in SMCRA enforcement has been the lack of reliable information for both OSMRE and the States. CDMIS will ultimately solve this problem, leading to significant improvements in the act's implementation.

The general services request is $4.7 million, a net decrease of $1.4 million. The decrease represents savings of $2 million derived from nonrecurring costs associated with the 1987 decentralization initiative, which are partly offset by a proposed increase of $600,000—in addition to $250,000 attributed to the AML appropriation—to consolidate headquarters personnel in the interior south facility. This one-time cost is consistent with other departmental consolidation initiatives to enable managerial efficiencies and long-term cost savings.

Finally, in the regulation and technology appropriation, our budget proposal includes a fiscal year 1987 transfer of $1.3 million in unobligated balances from the abandoned mine reclamation fund appropriation that will cover pay raise and retirement system costs. The transfer will enable us to avoid modifications to our planned fiscal year 1987 regulatory program. It is important to note that the transfer involves funds that would otherwise be applied to Federal operations in the AML Program, and it will not affect the resources available to the States.

ABANDONED MINE RECLAMATION FUND

The abandoned mine reclamation fund appropriation is proposed at $186.8 million, a decrease of $18.4 million from the base.

State reclamation program grants are proposed at $150.7 million, a decrease of $9.9 million from the base. The request is similar to the level that was enacted in 1986 and proposed in the President's budget for 1987. OSMRE supports this stable program level due to the existence of unobligated balances in construction grant funds that have been awarded to the States.

States have made efforts to reduce these balances. Progress was apparent in 1986 and is expected to continue through 1988.

However, the magnitude of prior-year unobligated funds, coupled with new budget authority enacted for 1987 and proposed for 1988, indicates that the States will have access to over $525 million in construction funds over the next 2 years.

Consequently, we believe our proposal is consistent with the Department's policy to provide States with funding at a level they can administer. The proposed level of funding, along with the unobligated amounts already available, will provide adequate resources to meet State reclamation needs.

I also want to inform the committee that we are now working out the details of a proposal to assure that States with smaller programs receive a minimum level of funding that enables them to address high priority reclamation problems and maintain program stability. We hope to implement this program later this year or at the start of the next fiscal year.

Fee compliance is proposed at $5.6 million, an increase of $1.8 million from the base. The increase will primarily be used to implement OSMRE's fee compliance auditing priorities, which are critical to meeting the agency's goal to effect maximum feasible collection of fees, interest, and penalties.

These priorities are consistent with our title V enforcement efforts in that they concentrate program resources in areas most likely to assure enforcement against multiple violators of the act.

For example, we are carrying out audits of the largest companies, as exemplified by the effort undertaken with regard to the Rapoca Energy Co. Over 25 percent of our total audit resources are devoted to such audits. That audit policy will continue to be applied with respect to other large entities, thus increasing the impact of our fee compliance program on enforcement and collections.

The reclamation program operations subactivity is proposed at $23.7 million, a decrease of $1.5 million from the base. The proposed decrease results from reduced program needs in several areas: the emergency projects program, whose requirements have decreased since the 1985 implementation of new agency policy in this area; the completion of most tribal priority 1 and 2 projects; reduced review and inspection of AML projects due to the maturation of State programs; and diminished title IV project monitoring workloads in the Wilkes-Barre office as prior commitments are completed.

With respect to tribal reclamation programs, however, it should be noted that we will support legislative efforts that allow the tribes to access title IV funding that has accumulated due to mining activity on their lands.

The Rural Abandoned Mine Program [RAMP] is proposed at $500,000, a decrease of $9.2 million from the base. Our budget proposal indictes a willingness to commit resources to critical program areas. In order to do so, however, compromises must be offered in lower priority areas. We believe that the States should be the primary managers of their regulatory and reclamation programs. In both areas, States have demonstrated the capacity to implement comprehensive programs. Accordingly, maintenance of a separate reclamation delivery system is no longer necessary. We, therefore, propose that RAMP funding provide support only for the modification of existing construction contracts.

In summary, I am enthusiastic about our program accomplishments of the last 2 years, and I look forward to continuing our demonstrated improvements. I believe that our fiscal year 1988 budget will provide us with the assistance needed to achieve our goals.

In doing so, I believe that the agency will set a strong precedent in responsible program management for the future. I want you to know that I remain committed to an open management policy that ensures achievement in regulation and reclamation, and also assures the continued involvement of all groups dedicated to environmentally sound surface mining. Your past support of our efforts has been appreciated, and I look forward to continued cooperation with the committee.

I also want to note that I have recently returned from Kentucky, where we met with State officials about information needs. Also, we are interested in Indian tribes being able to access the AML funds, an item which I understood you may be addressing.

I would be pleased to answer any questions at this time.

KENTUCKY REGULATORY PROGRAM

Senator REID. I am glad you indicated you had just returned from Kentucky.

What are the objections of the National Wildlife Federation to the Kentucky program?

Mr. CHRISTENSEN. They have sued the State of Kentucky for inadequately running a primacy program, as we would call it. We have been working with the State for some time to help shore up their program, to ensure that it is run in an adequate manner. We have added additional resources in that program to make sure the program can be run better.

What we are concerned about particularly are old problems that have existed in Kentucky. Actually, their program on current permits seems to be running fairly well. It is the old problems, the old abandoned mine sites, the 2-acre sites, those kinds of things, that have created the problems we are trying to resolve in the State of Kentucky.

Senator REID. Have you made any estimate of the nonrecurring annual cost to implement these changes that you think may be necessary?

Mr. CHRISTENSEN. Because of the 2-acre exemption, as far as OSMRE is concerned, there will not be any major savings to us.

Senator REID. Is there any concern that you might have to drop their primacy?

Mr. CHRISTENSEN. The State wants to keep the program and do an adequate job.

Senator REID. Would there be any impact on the coal industry in Kentucky if the State did drop primacy?

Mr. CHRISTENSEN. We would become the regulators rather than the State.

WILDCAT MINING

Senator REID. I understand that one of the remedies that the federation proposes is a wildcat task force. In a letter that you wrote to Chairman Yates in March, there was an objection.

Can you elaborate on the concerns for us? And if you wish, you can supplement this in writing. It is a key issue.

Mr. CHRISTENSEN. Wildcatting obviously is a major concern and needs further discussion. Since we had our discussions with Chairman Yates, we have determined that there may be some things that we need to do as the Federal Government to help the State with its problems.

Wildcatting is an insidious problem. We could have the 97th Airborne go in there and help us, and it would not completely take care of the problem because of the kind of infrastructure that exists in several counties in eastern Kentucky.

We need to support the State. Right now we are working carefully with them to determine what is the best way to take care of this particular problem, whether it be through a State task force, part State, part Fed, whatever is the best way.

Senator REID. You have already indicated that the wildcat mining is occurring; where is it most frequent, and what is the best way of addressing the problem?

Mr. CHRISTENSEN. The bulk of the wildcatting appears to take place in eastern Kentucky. There is some going on in Virginia, but where we really have the problem is in eastern Kentucky.

Senator REID. Is that because the material is so readily available?

Mr. CHRISTENSEN. That is one of the main reasons. People go out Friday night, mine all weekend, and then leave the site, and then there is no one around to stop them.

Senator REID. Is it easy for them to dispose of the coal?

Mr. CHRISTENSEN. Yes; and that is one of the reasons we are going to the broker who buys the coal, or the person who processes it, to audit their books and find out who they are buying from and if there is a valid permit to mine. If not, we can shut them down.

Senator REID. As an example, for someone not from a coal mining State, people go in on a Friday. What can they do all weekend?

Mr. CHRISTENSEN. They can go in with a front-end loader and truck and mine out I don't know how many tons of coal very quickly and, not having to do any permitting or reclamation, they can leave the site and sell that coal and make a profit on it.

The economic disadvantage to the operator who is going through all of the permitting process is obvious—he is getting killed.

Senator REID. Because it is that widespread?

Mr. CHRISTENSEN. What we are talking about is a small minority of illegitimate operators. Unfortunately, they are hurting the entire industry.

Senator REID. What suggestions do you have to the Federal Government and the various States on ways to improve wildcat oversight?

Mr. CHRISTENSEN. The State of Kentucky, where we have the major problem, has set up a task force of their own that has 12 people involved in taking care of wildcat problems. We are working with the State right now to determine what else we can do to help them with that process.

Senator REID. You have indicated that you have considered monitoring in the tipple sales.

Do you think this would be an appropriate remedy?

Mr. CHRISTENSEN. We are sharing severance tax data to find out who else is taking out coal and not reporting it to us. We want to make sure that people are mining with the appropriate permits under the law.

APPLICANT VIOLATOR SYSTEM

Senator REID. One of the major tasks this year is to complete the design and implementation of the computerized applicant violator system. This would allow your office and States with regulatory primacy to check to see if an applicant for mining has any outstanding violations elsewhere. This new system would clearly be a significant tool that would give States a data base on which to withhold mining permits until outstanding violations are abated by the applicant.

Do you have any information upon which to compare the effectiveness of the present system of manual violation checks with the new computerized system when it becomes effective?

Mr. CHRISTENSEN. We are going to see a significant advantage in several areas. One is that, in time, any State will be able to go to the computer and bring up the applicant's information as far as ownership and control. If there is a problem, they will be able to tell the applicant that they have to deal with it before they will get a new permit.

So speed is one thing. The manual process is very laborious. Letters have to be written to adjoining States saying do you know this person and is there any problem. They also write us asking for information.

The manual search through the files is very time-consuming. It is very easy to miss things. Once we have this computer system online on October 1, we are going to have a tremendous advantage.

Senator REID. Do you know the comparison of cost between the manual system and the computerized system?

Mr. BOLDT. At the present time we have about a total of 14 full-time personnel doing what we call the 510(c) check. That would be costed out at about $50,000 per year per FTE.

Senator REID. How much is that?

Mr. BOLDT. About $700,000.

The initial cost of the system that would go into operation on October 1 is $1.6 million. That is developmental cost plus operational cost for the first year.

Senator REID. And the manual system was?

Mr. BOLDT. $700,000.

OWNERSHIP AND CONTROL

Senator REID. Thank you very much.

Mr. Christensen, apparently under your proposal anyone who owns or controls the company is responsible for the violations of that company, is that right?

Mr. CHRISTENSEN. That is true. We are trying to develop a final rule that will determine how that works.

Senator REID. When will you come up with regulations?

Mr. CHRISTENSEN. We are getting ready in the next week to put out for comment our final rule. That should be final October 1.

Senator REID. Do you know yet how you are going to determine control of the company?

Mr. CHRISTENSEN. Not exactly. We have several proposals. We are trying to make the determination now.

Senator REID. Would you inform us when the regulations are completed so there is no question but that we have them and inform the subcommittee what your decision is in that regard?

Mr. CHRISTENSEN. Certainly.

Senator REID. Let's look at a hypothetical case. If company A has an outstanding violation and the president of company A sits on the board of company M, would company M be restricted from receiving a new mining permit until the company had corrected its violation?

Mr. CHRISTENSEN. I think the answer is "yes." A lot depends on how much direct control there is in that company. I think in the hypothetical the answer would be "yes."

Senator REID. Under your regulations, which of course we have not seen and you have not completed yet, let's say a person with 20-percent ownership is presumed to be in control of the company and he owns at least 20 percent of a second coal company.

Would the second company be restrained from acquiring mining permits if the first company is in violation?

Mr. CHRISTENSEN. He would be unless that person who owns 20 percent or more could show us in some way that he was not in control of that company.

Senator REID. This is not a black and white area, is it?

Mr. CHRISTENSEN. It will be much clearer when we have the rule pretty much set.

TRIBAL RECLAMATION PROGRAMS

Senator REID. Mr. Christensen, I know that you are aware of attempts in both Houses of Congress to pass legislation for primacy for reclamation programs for Indian tribes, three in number.

Do you support these proposals in concept?

Mr. CHRISTENSEN. As far as primacy is concerned, we are doing a study that should be available in about 1 month. We are doing a careful analysis of the three tribes' capabilities to take on a regulatory and an AML program. What we are finding is some of the tribes have more capabilities than others.

Senator REID. Do you have objections or modifications to suggest to any proposed language that you have seen prior to the hearing?

Mr. CHRISTENSEN. We can accommodate that language very well, Mr. Chairman.

Senator REID. Do you know how much money has been collected from the abandoned mine reclamation fund from fees from the three tribal lands?

Mr. CHRISTENSEN. Approximately $36 million total. That would be their tribal share.

Senator REID. I understand that the present inventory of high priority coal reclamation projects in Indian tribal lands is only about $385,000.

How would the tribes use these additional funds that we are talking about?

Mr. CHRISTENSEN. The way the law is set up, once the abandoned coal mine reclamation work is done the tribes can do noncoal work. There is uranium and other types of mining, and they could use that money to take care of those problems.

INTERNAL REVENUE SERVICE RULING

Senator REID. As I am sure you are aware, the IRS has recently ruled in the case of an Ohio man that he is liable for tax payments on all State reclamation of hazards from an abandoned mine site on his property. They ruled this way even though the principal benefits of the reclamation work are improved water quality downstream.

I am told that the appraised value of this man's property increased only marginally after the reclamation was completed and that his tax bill actually exceeded the value of the property itself.

While this situation is probably an anomaly, the reclamation work was done and the Federal tax bill has been submitted.

What are your thoughts?

Mr. CHRISTENSEN. We are aware of this. These are serious considerations for us. We have had indications from several States, in particular, Wyoming, where they have been refused entry on properties because of this. I do not believe it would be unusual to have someone get a tax bill that would be much higher than the value of the property after it had been reclaimed. It is a serious problem, and we are hoping we can address it.

Senator REID. The IRS has refused to change their position.

Do you know what the IRS objections are?

Mr. CHRISTENSEN. Not exactly. We have written a strong letter and pointed out the detriment of this to the State. We have not received anything back in response. I think what they are basically doing is waiting to see if Congress takes care of this particular problem.

Senator REID. Would you provide for the subcommittee's files all correspondence on this subject?

Mr. CHRISTENSEN. Certainly.

[The information follows:]

LETTER FROM J. STEVEN GRILES, ASSISTANT SECRETARY, LAND AND MINERALS MANAGEMENT, DEPARTMENT OF THE INTERIOR

SEP 25 1986

Honorable Lawrence B. Gibbs
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW.
Washington, DC 20224

Dear Commissioner:

We are enclosing a District Internal Revenue Service Opinion concerning the tax consequences for an Ohio family that participated in a State sponsored mine land reclamation program. We believe the opinion includes both factual and legal errors and respectfully request that the opinion be withdrawn. We are particularly concerned about the possibility that this opinion may be considered for application on a national basis.

The case in question concerns two cost-sharing grants from the State of Ohio under its Abandoned Mine Land Cost-Share Program, Ohio revised Code 1513.28. This program funded solely from State revenues provided grants to landowners to reclaim lands that have been adversely affected by past mining practices. These mining activities have imposed social and environmental costs in the form of unusable unreclaimed lands, water pollution, erosion, loss of fish and wildlife resources and a decline in the natural environment. In many instances, the condition of these lands creates serious health and safety threats to the general public through uncontrolled refuse and underground fires, unstable spoil and waste piles and unsafe impoundments. Indeed, the lands are truly "abandoned" in the sense that neither current nor prior landowners have a legal responsibility to reclaim them.

The Ohio reclamation program, much like other reclamation programs, seeks to correct this past legacy by providing landowners funds necessary to restore the land to its original productivity. It is the general public that gains from this program and not specific individuals.

The case in point involved the restoration of 132 acres of strip-mined land owned by the taxpayer and 68 acres owned by a neighbor. There was no agreement between the taxpayer and this adjoining landowner for reimbursement, and the State required the reclamation of the entire 200 acres in order for the taxpayer to participate. Pre-appraisals of the taxpayer's land placed the value of approximately $15,200 or at about $100 an acre. The land in question contained old refuse piles and sediment filled streams that caused the flooding of nearby agricultural lands which were not owned or controlled by the taxpayer. To correct this continuing threat to the public at large and to prevent further economic decline of local agricultural production, the State provided the taxpayer

$930,000 in two grants to remove the sediment from the streams and reclaim the old gob piles. The post-appraisal of the 200 acres placed its new market value at $35,000 with its highest and best use still being wildlife habitat or pasture land. The benefits derived from this project clearly accrued to the community at large and not to the taxpayer.

The local Internal Revenue opinion found, based on these facts, that the total cost-share payments ($930,000) for the reclamation of the taxpayers' 132 acres and the 68 acres of his neighbor were includable in the gross income of the taxpayer in the years received. In our opinion, this is an absurb result, one that would have dire consequences for many Government sponsored reclamation programs.

Our specific concerns with the District Opinion are:

1. The opinion incorrectly links the State reclamation program with the reclamation programs administered by the Department of the Interior's Office of Surface Mining Reclamation and Enforcement. The Ohio cost-share program is not administered under the auspices of Section 401 of the Surface Mining Control and Reclamation Act of 1977, Pub. L. 95-87. 30 U.S.C. 1201 et seq. Indeed, the Department has no control, financial or administrative, over this program. By making this linkage, however, the opinion totally jeopardizes the Department's own three billion dollar reclamation effort involving thousands of acres of privately held land.

2. The opinion disallows the tax exclusion provided in Section 126(a)(10) of the Internal Revenue Code. This section of the code provides that "gross income does not include the excludable portion of payments received under any program of a State . . . under which payments are made to individuals primarily for the purpose of conserving soil, protecting or restoring the environment, improving forests, or providing a habitat for wildlife." The opinion does not dispute the purpose of the Ohio program or the nature of the reclamation grants. Rather, the opinion finds that because the State of Ohio failed to file certain documents with the Department of Agriculture concerning the reclamation purpose of the program, all landowners who participate will be unable to claim the exclusion. Such filings, however, are totally outside the ability or influence of the Ohio citizens.

3. The opinion finds that the taxpayers must include the total cost of the reclamation, $930,000 in their gross income despite the fact that the reclamation was carried out to correct proven dangers to the public at large and not to benefit the landowner directly. The Internal Revenue Service has held in other areas, however, that disbursement from a general welfare fund made in the interest and improvement of the general welfare are not includable in a recipient's gross income. (See Rev. Ruling No. 63-136 concerning payments under the Manpower Development and Training Act; Rev. Ruling No. 68-38, involving payments under Title II-A of the Economic

Opportunity Act of 1964; Rev. Rule No. 72-340, concerning monies paid by city to unemployed probationers; Rev. ruling No. 74-205, holding the replacement housing payments received by individuals under the Housing and Urban Development Act of 1968 and the Uniform Relocation and Assistance and Real Property Acquisition Policies Act of 1970, are not includable in a recipient's gross income; Rev. Ruling No. 75-271, holding that mortgage assistance payments that are interest subsidies paid under S. 235 of the National Housing Act are in the nature of general welfare and not includable in gross income; Rev. Ruling No. 76.144, holding that Government assistance under the Disaster Relief Act of 1974 to help affected people are in the interest of the general public; Rev. Ruling 76-395, concerning home rehabilitation grants under the Community Development Program and Rev. Ruling 7777, concerning nonreimbursable grants under the Indian Financing Act of 1974.)

We believe all of these rulings as cited, establish a firm basis for finding that programs such as those of the Ohio reclamation program are fully exempt from taxes under varying interpretations of the Tax Code.

4. The opinion cites several revenue rulings concerning Government cost-share payments as precedent for holding the present payments includable in a recipient's gross income. These holdings, however, are clearly distinguishable as programs designed to increase the profitability and productivity of the lands involved. In the present situation, the grants are made not to increase the profitability of a specific landowner but to correct an existing environmental danger that threatens the community-at-large. Indeed, a simple review of the financial data supports this conclusion.

The streams on the taxpayers lands have been filled with coal sediment from nearby gob piles and periodically flood adjacent agricultural lands. The cost of removing the sediment and reclaiming the land was approximately $930,000. The highest and best use of the taxpayers land was not altered, however, and the taxpayer only realized a value increment of some $13,000. Nevertheless the opinion would still hold the taxpayer accountable for the total $930,000.

5. The opinion states that the cost-share payments used to reclaim the adjoining 68 acres are also includable in the taxpayer's gross income. We cannot understand this assumption particularly in light of the fact that it is wholly unsupported by citation or tax code reference. The taxpayer clearly has received only marginal economic benefit from performing the reclamation and undertook to reclaim the additional 68 acres only because he believed that it would be considered a business venture for which all associated costs would be deductible. Further, we believe that under current tax laws any marginal economic benefit derived should under no circumstances be taxed as gross income.

For the reasons stated, I urge you to withdraw this opinion until its errors can be corrected and a more thorough review of its holdings conducted. Although the Ohio program does not involve the Department directly, this opinion if allowed to stand could have far-reaching consequences on our programs.

We are ready to meet with you at your convenience to discuss these matters in more detail.

Sincerely yours,

/sgd/ J. Steven Griles

Assistant Secretary, Lands and
Minerals Management

Enclosure

Index Numbers: 0061.40-00
0126.00-00
0263.02-02

CC:IND:I:1:3 - TR-32-30106-86

LEGEND

Taxpayers = [redacted]
A =
$m =
$n =
k cents =
o =
p acres =
q acres =
r acres =
s =
t acres =
u =
v =
w =
x =
y =

"This document may not be used or cited as precedent. Section 6110(j)(3) of the Internal Revenue Code."

Taxpayers' Names: [redacted]
Taxpayers' Address:
Taxpayer Indentification No:
Years Involved:
Date of Conference:

ISSUES

(1) Whether the amounts at issue are includible in the gross income of the Taxpayers for federal income tax purposes if the partial exclusion under section 126 of the Internal Revenue Code does not apply.

(2) Whether the expenditures made by the Taxpayers for reclamation of their land and that of an adjoining landowner are deductible by the Taxpayers for income tax purposes.

FACTS

Taxpayers received two cost sharing grants from the state of A, under the provisions of the Revised Code of A, for reclamation of lands that lie within the boundaries of a project area approved by the appropriate state authorities. The Taxpayers applied to the state for a grant of up to o percent of reasonable and necessary expenses incurred to reclaim the subject land. The project consisted of p acres and was funded in two phases.

Phase I reimbursements totaled $m, representing the state's o percent share of the cost to reclaim q acres owned entirely by the Taxpayers.

Phase II reimbursements totaled $n, representing the state's share of the cost to reclaim r acres owned by the Taxpayers and s acres owned by an adjoining landowner. The Taxpayers acquired their t acres in an unreclaimed stripped-out condition in year y.

There were no agreements between the Taxpayers and the adjoining landowner for additional reimbursement. The state required the reclamation of the entire p acres in order for the Taxpayers to participate in this program. It was the Taxpayers' decision to participate in the state of A Strip Mines Land Reclamation Program (the "Program"), and act as managing landowners and project reclamation coordinators. The Taxpayers were not in the land reclamation business prior to commencement of this project.

The grant reimbursements began during year w and ended early in year x. The actual total cost of reclamation was in excess of the state's cost-sharing payments. The Taxpayers purchased heavy equipment, hired operators, entered contracts, purchased materials and supplies, and generally coordinated and supervised the entire project. As managing landowners, the Taxpayers established books and records to account for the receipt of grant monies and accounted for the costs of reclamation done according to the terms of the grant. No provision was made for a profit to the Taxpayers.

The Program of A is administered under the auspices of section 401 of the Surface Mining and Control Act of 1977 (30 U.S.C. 1236) (the "Act") which established a national program for the reclamation of mine land that is enforced by the states with back-up authority in the United States Department of Interior.

Effective on date u, the state of A deposited in the state treasury the unclaimed land funds for the reasonable and necessary reclamation expenses incurred by the owner of any unreclaimed land affected by mining before date v or pursuant to a license issued before date v. The Program applies only to land where mining causes or may cause pollution of the waters of the state or damage to adjacent property, which is not likely to be mined in the forseeable future, and lies within the boundaries of the project area approved by the Board of Unreclaimed Strip Mines Land of state A.

The state of A was informed by the United States Department of Agriculture on May 24, 1979, of section 543 of the Revenue Act of 1978 (P.L.95-600), which added sections 126 and 1255 to the Code, under which recipients may exclude all or part of the payments received under certain federal or state programs if they are determined by the Secretary of Agriculture as being for the purposes specified under section 126. The state of A, Department of Natural Resources, Division of Reclamation did not make application for the necessary determination of the purposes of the Program by the Secretary of Agriculture.

The Taxpayers included on Schedule "C" Form 1040, the gross amount of the cost-sharing grants for the year received and claimed credits and took current deductions for the cost to reclaim the land. No costs were capitalized to the land. The Taxpayers subsequently raised the question whether the cost-share grants they received should have been excluded from their gross income under section 126 of the Code. The Taxpayers are not farmers or coal mine operators.

LAW AND ANALYSIS

Section 61 of the Code defines gross income as all income from whatever source derived unless specifically excluded by law.

Section 126(a) of the Code provides that gross income does not include the excludable portion of payments received under certain specifically named federal conservation programs including, under section 126(a)(2), the rural abandoned mine program authorized by section 406 of the Act.

Section 126(a)(10) of the Code provides that gross income does not include the excludable portion of payments received under any program of a State, possession of the United States, a political subdivision of any of the foregoing, or the District of Columbia under which payments are made to individuals primarily for the purpose of conserving soil, protecting or restoring the environment, improving forests, or providing a habitat for wildlife.

Section 126(b)(1) defines the term "excludable portion" to mean that portion (or all) of a payment made to any person under any program described in subsection (a) which (A) is determined by the Secretary of Agriculture to be made primarily for the purpose of conserving soil and water resources, protecting or restoring the environment, improving forests, or providing a habitat for wildlife, ***.

The excludable portion of payments made under the rural abandoned mine program authorized by section 406 of the Act are specifically excluded from gross income by section 126(a)(2) of the Code. There is no such exclusion for payments under section 401 of the Act under which the payments to the Taxpayers were made.

Had the state of *A* submitted its Program to the Department of Agriculture for a determination that the excludable portion of payments under the Program were for the purposes specified in section 126(b)(1)(A), the payments may have been excludable under section 126(a)(10) of the Code. However, state *A* did not seek this determination. Therefore, section 126 of the Code does not apply to the payments made to the Taxpayers.

Rev. Rul. 76-6, 1976-1 C.B. 176, which was published prior to the enactment of section 126 of the Code, held that cost-share payments under the forestry incentives program (F.I.P.), authorized by the Agriculture and Consumer Protection Act of 1973, Pub. L. No. 93-86, were includible in the recipient's gross income in the year received. Rev. Rul. 76-6 also held the total costs of reforestation (not diminished by the F.I.P. payments) were to be capitalized as a cost of timber. The Rev. Rul. cited *Baboquivari Cattle Co. v. Commissioner*, 135 F.2d 114 (9th Cir. 1943), 1943 C.B. 1013, aff'g 47 B.T.A. 129 (1942); *Harding v. Commissioner*, T.C.M. 1970-179; and *Driscoll v. Commissioner*, No. 13,716 (T.C.M. 1944) aff'd in part and rev'd in part, 147 F.2d 493 (5th Cir. 1945). In these cases taxpayers received various kinds of government cost-sharing payments, all of which were held to be includible in the recipients' gross incomes.

Section 126 was added to the Code by Public Law 95-600, 95th Cong., 2d Sess., (November 6, 1978), 1978-3 C.B. 1, 123. Section 126(a)(8) specifically excludes from the gross income of the recipient the excludable portion of F.I.P. payments received under section 4 of the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2103), which updates the F.I.P. payments ruled on in Rev. Rul. 76-6.

Rev. Rul. 84-67, 1984-1 C.B. 28, supercedes Rev. Rul. 76-6, and holds that the excludable portion of F.I.P. payments are excludable from the recipient's gross income under section 126 of the Code. All of this illustrates that the various government cost-share payments, such as those in the present case, are includible in the gross incomes of the recipients absent a specific provision of law excluding such payments.

In the *Baboquivari* case the cost-sharing payments the taxpayer received were for erosion prevention facilities such as dirt reservoirs, earthen tanks, and a rubble masonry dam the taxpayer constructed or rebuilt primarily on land that did not belong to him. The facilities did help prevent erosion on the taxpayer's own grazing land and grazing land leased from the state government. The court held the entire amounts of the subsidy payments were includible in the taxpayer's gross income in the years received.

There is no provision in the Act which evinces an intent on the part of Congress that payments under the Act are excludable from gross income.

Section 263(a) of the Code states, in part, that no deductions shall be allowed for (1) any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate or (2) any amount expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made.

Thus, expenditures that appreciably prolong the life, or enhance the value, of existing assets may not be deducted. Such expenditures must be capitalized and recovered through depreciation allowances over the life of the asset, if the asset is depreciable. If the asset is not depreciable, as in the case of land, the cost is not recoverable unless and until the property is disposed of.

In Coors v. Commissioner, 60 TC 368 (1973), the United States Tax Court held that expenditures to shape and mold land resulted in an improvement in the land itself and must be capitalized.

Rev. Rul. 58-373, 1958-2 C.B. 125, holds that a voluntary contribution by a corporation to defray in part the cost of state construction of a bridge of sufficient capacity to be traveled by trucks in transferring stone from the corporation's quarries on the south side of a river to its plant on the north side of the river constitutes an exhaustible capital expenditure which is depreciable or amortizable over the estimated useful life (period of ecomonic usefulness to the corporation) of the bridge even though the corporation has no legal title thereto.

In this case, the Taxpayers have made payments for permanent improvements to their land. In order to receive State funds, they were also obligated to make improvements to a neighbor's land even though they do not possess legal title to such land.

CONCLUSION

(1) The total cost-share payments made to the Taxpayers by the state of A for the purpose of reclamation of the Taxpayers' 132 acres of strip-mined land and the 68 acres of strip-mined land owned by the adjoining land owner are includible in the gross income of the Taxpayers in the years received.

(2) All of the amounts the Taxpayers spent to reclaim the above-described p acres of land constitute capital expenditures to restore the land and such amounts are not deductible pursuant to section 263(a) of the Code.

PROPOSED LEGISLATION ON TAXABILITY OF GRANTS

Senator REID. Have you reviewed the Cheney bill before the House Ways and Means Committee? Do you think this bill would adequately solve the problem, if you are familiar with the bill?

Mr. CHRISTENSEN. Yes; it would.

Senator REID. Has the administration taken a position on this?

Mr. CHRISTENSEN. Not at this point.

REPROGRAMMING PROPOSALS

Senator REID. The subcommittee has two reprogramming requests. The first proposes a shift of $1.75 million under the AML.

Under what other subactivities were these costs requested, and how much money is involved in this situation?

The second reprogramming letter of April of this year proposes a shift of an additional $9 million from the Federal reclamation program operations, which means a total reduction of $10.75 million, 44 percent, of the 1987 appropriation that would be shifted from this area.

The justification in the reprogramming letter states that the reduction is possible because of substantial savings from prior-year project operations.

Weren't these savings anticipated in the 1987 budget?

Mr. CHRISTENSEN. Up until this point I don't know if we had certainty about where the savings would come from. The Government has received much better construction bids on some projects than was anticipated.

So these funds are now accrued back, and we want to use them for reclamation purposes.

Senator REID. How did these savings change the overall picture?

Mr. CHRISTENSEN. They are recovered funds, and they will be used for abandoned mine land work.

Senator REID. They are still reclamation operations?

Mr. CHRISTENSEN. That is correct.

Senator REID. Would the shift of funding cause a reduction in the Federal reclamation project activities?

Mr. CHRISTENSEN. No.

Senator REID. Did the States pick up any of that work?

Mr. CHRISTENSEN. Yes; of the money that we have recovered, some of it will be redistributed to the States.

MINIMUM ABANDONED MINE LAND PROGRAM FUNDING

Senator REID. Part of the proposed reuse for the funds would be $3.5 million to initiate a minimum program for abandoned mine reclamation work in the States.

Are you requesting money for this minimum program when the subcommittee guidelines prohibit the use of reprogrammings to initiate new programs?

Mr. CHRISTENSEN. There are several States that have fairly small abandoned mine land programs. We also believe that one of the major incentives for a State to retain their regulatory program is the abandoned mine land money received from the Federal Government.

Unfortunately, some of the States only receive enough to have an administrative way of doing design, but then they don't have money to do construction.

So what we want to do is to assure the States that they have enough money to do construction work on high priority projects, and still have the incentive to keep their title V regulatory program.

Senator REID. Is this a new program?

Mr. CHRISTENSEN. In my mind it is not. It is a matter of how you allocate the funds.

Senator REID. What adverse impact, if any, would there be if this program were not started until fiscal 1988.

Mr. CHRISTENSEN. At this point I don't know that there would be a tremendous impact. We have talked to the States, and there is a lot of support for this. It helps several States in the Midwest to justify their title V regulatory programs.

We have some indication from some of these State regulatory people that State legislatures are very concerned about the programs, and they would like this additional support to be able to maintain their program.

ADDITIONAL COMMITTEE QUESTIONS

Senator REID. I appreciate your testimony this afternoon. We will submit to you more questions, and we will get those to you quickly.

We appreciate your time, especially appreciate your answers.

Mr. CHRISTENSEN. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR JAMES A. MCCLURE

Tribal Reclamation Programs

Question: Indian Tribes are not eligible for State Reclamation Program Grants. The Surface Mining Control and Reclamation Act (SMCRA) requires the existence of an approved regulatory program before receipt of reclamation funding. SMCRA, however, does not provide the opportunity for Tribal regulatory programs. Abandoned Mine Land (AML) work on Tribal lands is currently carried out through cooperative agreements with the Tribes or by the Office of Surface Mining Reclamation and Enforcement (OSMRE) itself. The Tribal share of cumulative AML receipts from 1978 through 1986 is $36.8 million. How would reclamation work differ between Tribes having reclamation programs and the current cooperative agreements?

Answer: The cooperative agreements address the highest priority abandoned coal mine problems on the reservations and provide training for the Tribes to assume responsibility for an abandoned mine land reclamation program. Since most high-priority abandoned coal mine problems have been addressed under the cooperative agreements, tribal reclamation programs, if approved, would address noncoal and lower priority coal reclamation problems.

Question: Do you feel that all three Tribes possess the management ability to carry out a reclamation program?

Answer: We believe that they do, but with varying degrees of capability. The three Tribes have submitted reclamation plans which have been partially reviewed by OSMRE. The plans are consistent with the abandoned mine land reclamation program regulations and plans already approved for the States. Training has been provided to the Tribes under the cooperative agreements, and they have had experience working on projects from the planning stage through to complete reclamation.

The Navajo tribe has clearly established the management capability to carry out a reclamation program. The Hopi tribe has progressed well and is further refining its management capabilities in order to successfully administer a reclamation program. As for the Crow tribe, further development of management capabilities is necessary, but the Tribe should be able to manage a reclamation program with technical assistance being provided by OSMRE.

Question: How would the Tribes' administrative overhead compare with the administrative overhead of States?

Answer: The Tribes' administrative overhead would probably be slightly less than that of the States. For example, rights of entry, determinations of lien, and other realty-related work would be minimal since most projects would be on Tribal lands instead of private lands.

Bill Language

Question: You have requested bill language which would allow OSMRE to keep funds collected from the imposition of civil penalties levied under the Act. These funds would be used to reclaim lands that are ineligible for Title IV funding since the mining occurred after the Act's passage. Why haven't reclamation bonds been utilized to reclaim these lands? Were there problems with the bonding procedures? If so, have these bonding procedures been corrected?

Answer: The Act did not impose bonding requirements during the interim program; therefore, State law governed. Many States did not require bonds for certain types of mining operations during the initial program (i.e., underground mines, coal preparation facilities) or, where bonds were required, they were often inadequate to complete reclamation in the event of bond forfeiture. Where interim program bonds are forfeited, the bond is used to reclaim the minesite to the extent possible. The problem with bonding has been largely corrected under the permanent program because bond rates must be set at the amount necessary for a third party to reclaim the minesite in the event of default.

Question: How much do you anticipate collecting under this proposal?

Answer: It is difficult to forecast collections since we normally expect that reclamation will be accomplished on all permitted sites. However, it is anticipated that collections could total several million dollars per year.

Question: How will sites be selected for reclamation?

Answer: A priority system would be applied based on the extent and impact of environmental harm and/or danger to the public health and safety.

Applicant Violator System

Question: In January of 1985, U.S. District Judge Barrington Parker issued a ruling against the Department of the Interior relating to the Secretary's responsibilities under SMCRA. This order, in effect, dictates that OSMRE build a computer system that can identify: (1) all permanent program applicants and permittees, and all persons who own or control such applicants or permittees; and (2) all business entities that are responsible for unabated cessation orders or unpaid civil penalties. Originally, Judge Parker gave OSMRE 24 months to complete the system. This was later extended until October 1, 1987. What is the current schedule to meet this October 1 deadline which is essentially phase I of the plan?

Answer: The system will become operational October 1, 1987, in accordance with the extension granted by Judge Parker. As of October 1, the system will contain the following data: applicant data drawn from Federal and State permitting files; data on Federal violations and civil penalties; and data on delinquent AML fees.

Question: What is included in the Fiscal Year 1988 request for the system?

Answer: $5.6 million has been included for the Applicant Violator System operations in Fiscal Year 1988.

Question: What is the schedule to meet phase II of the plan which includes State cessation orders, civil penalties and air or water act violations?

Answer: The schedule calls for all data on State violations and civil penalties to be loaded into the system by October 1, 1988; data on air and water quality violations is to be loaded by October 1, 1989.

Ownership and Control

Question: There are varying interpretations of what constitutes ownership and control. The OSMRE has proposed four interpretations of this for study. Can you briefly discuss these interpretations and what the plan is for proposal for the final rule?

Answer: The four scenarios or levels for ownership and control that were studied include:

-- The net 10 percent proposal (under this approach, anyone having a 10 percent interest in an entity applying for a permit or in any entity owning or controlling the permit applicant would be affected; namely, if violations existed their permit applications would be denied)

-- The net 51 percent (same as the 10 percent proposal except controlling interest would only be established if the interest held is 51 percent or greater)

-- The "one up-one down" proposal (ownership and control relationship would be limited to owners and controllers one level above or one level below the applicant)

-- The 510(c) proposal (ownership and control would be attributed to any entity who could be shown as having the ability to compel the applicant to take action to abate violations or pay civil penalties)

A revised proposal on ownership and control was recently made available for public comment through June 5, 1987. After comments have been reviewed, the agency will propose a rule which will be final by October 1, 1987, the date the Applicant Violator System becomes operational.

Unobligated Balances

Question: In recent years, Congress has been concerned that the States have large unexpended balances of State Reclamation Program Grants. This year's justification indicates that as of September 30, 1986, 30 percent was unobligated which is a reduction from the 51.1 percent level at the end of calendar year 1985. To what do you attribute the success of this effort? What is OSMRE doing to continue this downward trend?

Answer: We believe that several factors are involved in the reduction of the unobligated balances of State Reclamation Program Grants. The lower grant amounts awarded in Fiscal Years 1986 and 1987 gave States the opportunity to improve their obligation rates. Improved State administrative procedures in areas such as procurement were also a factor, as was experience gained by State AML staff in addressing various types of AML problems and in program administration. Also, the assistance that OSMRE Field Offices provided to the States in both technical reclamation areas and in grants administration have combined to reduce unobligated balances. We will continue to work closely with the States to ensure further improvement in their obligation rates. As of March 31, 1987, the unobligated balance for AML construction grants was $284.4 million, or 35.6 percent of total construction awards.

Troubleshooters

Question: In Fiscal Year 1987, Congress provided OSMRE with $1.6 million for ten FTE's to look into two-acre and bond forfeiture activities, two FTE's to look at production and non-production sites and ten FTE's to be designated as "troubleshooters." What is the hiring status of these FTE's?

Answer: The attached report indicates OSMRE's progress in hiring these employees.

DEPARTMENT OF THE INTERIOR
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT
REPORT ON HIRING ADDITIONAL INSPECTORS AND 'TROUBLESHOOTERS'

FOURTH BI-MONTHLY REPORT
May 22, 1987

POSITION	LOCATION	STATUS
TWO-ACRE/BOND FORFEITURE		
1. Reclamation Specialist/BF	Kentucky	Employee hired and started 2/2/87.
2. Reclamation Specialist/BF	Kentucky	Employee hired and started 2/2/87.
3. Reclamation Specialist/BF	Kentucky	Employee hired and started 2/12/87.
4. Reclamation Specialist/BF	Kentucky	Employee hired and started 3/9/87.
5. Reclamation Specialist/two-acre	Kentucky	Employee hired and started 3/16/87.
6. Enforcement Technician/two-acre	Kentucky	Employee hired and started 3/15/87.
7. Inspector Assistant/two-acre	Kentucky	Employee hired and started 2/1/87.
8. Clerical/two-acre	Kentucky	Employee hired and started 1/4/87.
9. Reclamation Specialist/BF	Oklahoma	Employee hired and started 5/26/87.
10. Reclamation Specialist/BF	Tennessee	Employee hired and started 5/31/87.
PRODUCTION/NON-PRODUCTION SITES		
11. Reclamation Specialist	Oklahoma	Employee hired and started 5/10/87.
12. Reclamation Specialist	Pennsylvania	Employee hired and starts 6/7/87.
'TROUBLESHOOTERS'		
13. Natural Resource Specialist	Colorado	Employee hired and started 2/2/87.
14. Natural Resource Specialist	Missouri	Employee hired and started 3/15/87.
15. Natural Resource Specialist	New Mexico	Employee hired and started 2/2/87.
16. Natural Resource Specialist	Oklahoma	Employee hired and started 2/2/87.
17. Natural Resource Specialist	Wyoming	Employee hired and started 2/2/87.
18. Physical Scientist (IPA)	Maryland	Selection made; EOD pending approved IPA agreement.
19. Program Operations Officer	Ohio	Employee hired and started 2/15/87.
20. Computer Specialist	Pittsburgh *	Employee hired and started 3/1/87.
21. Hydrologist	Pittsburgh *	Employee hired and started 4/26/87.
22. Enforcement Specialist	Pittsburgh *	Employee hired and started 3/1/87.

* These positions will be located in Pittsburgh; however, the individuals will be primarily working on State related issues.

Question: Do you think these positions are adequate to do the intended job or are additional funds necessary in Fiscal Year 1988?

Answer: These positions are retained in OSMRE's Fiscal Year 1988 budget proposal and they are sufficient to address expected program needs.

BUREAU OF MINES

STATEMENT OF ROBERT C. HORTON, DIRECTOR

ACCOMPANIED BY:

DAVID S. BROWN, DEPUTY DIRECTOR
JOHN D. MORGAN, JR., CHIEF STAFF OFFICER
JAMES F. DONAHUE, CHIEF, DIVISION OF BUDGET
ROBERT J. LAMB, DIRECTOR, DIVISION OF BUDGET OPERATIONS, OFFICE OF THE SECRETARY, DEPARTMENT OF THE INTERIOR
JOHN MURPHY, DIRECTOR, PITTSBURGH RESEARCH CENTER

PREPARED STATEMENT

Senator REID. We will now turn to the request for the Bureau of Mines.

The fiscal year 1988 budget request of the Bureau of Mines totals $119,130,000. This is a reduction of $19,532,000, or 16 percent below the appropriation to date for the current year. The budget also proposes a reduction of 131 FTE's.

Welcome before the subcommittee this afternoon, Mr. Horton. We have your prepared statement which will be included in the record at this point. If you would like to briefly summarize your prepared remarks after introducing your staff, we will proceed directly to the subcommittee's questions. It is my understanding that you have other things that you would like to show the subcommittee.

[The statement follows:]

STATEMENT OF ROBERT C. HORTON

It is my pleasure to appear before you today to discuss the Bureau of Mines programs and the budget request of $118,630,000 for the Mines and Minerals appropriation for fiscal year 1988. Within that request, we propose $70,809,000 for Minerals Research, $29,052,000 for Minerals Information and Analysis, and $18,769,000 for General Administration.

For FY 1988 the Bureau proposes several important new thrusts and resource reallocations which more clearly focus the priorities toward achieving the goals contained in "Project 2000 - A Strategic Plan for the Bureau of Mines." The changes essentially channel some of the Bureau's unique research and analytical talents toward several current and emerging problems significantly affecting the health and global competitiveness of the domestic mining and minerals industry. The Bureau seeks to take greater advantage of opportunities to impact several critical policy issues, influence and accelerate technological innovations, better anticipate and prepare for future market conditions, and improve worker health and safety. Emphasis is given to: mining and processing automation; robotics; artificial intelligence; computer integrated systems; high-technology metals and advanced materials, particularly in intermetallic compounds and ceramics; plasma physics; biotechnology; water and soil contamination; regulatory analysis; enhanced information dissemination; and strategic and critical minerals recovery.

The research priorities in particular are directed, where appropriate, to the application of advanced technologies which promise revolutionary rather than evolutionary or incremental improvements, while, at the same time, continuing the Bureau's strong commitment to basic research. Such changes in base technology can help make American mining and mineral processing industries more innovative and competitive in global markets. The FY 1988 budget includes two efforts not previously proposed in the Bureau of Mines program: abandoned mine land research, which was transferred to the Bureau from the Office of Surface Mining Reclamation and Enforcement (OSM) in the continuing resolution that provided FY 1987 funding for Federal programs, and regulatory project coordination, a new office established during 1986.

I am sure that you are aware that we are completing implementation of our January 7 decision to close our Avondale Research Center. The decision to close one of the six Research Centers currently operated under the Minerals and Materials Research program was not demanded by any single event. Rather, it was required by the collective events of the past several years during which budget requests and subsequent appropriations declined while many unit costs increased. The aggregate result was that resources, funds, and personnel were too thinly spread and diminishing operational efficiencies became unacceptable. Consolidation of research activities, the closure of one Research Center and the distribution of its resources and programs among the remaining five Research Centers will alleviate the operational inefficiencies and substantially strengthen the research program. The Avondale center had the smallest permanent staff and the least involvement with a locally based minerals industry of any Bureau center. The Bureau has offered transfers to a higher proportion of the staff, at lower overall cost, than it could at any other center. Of the forty nine permanent employees (forty three full time and six part time/intermittent), fifteen have accepted their transfer offers, four have transferred elsewhere in the Bureau, three have accepted other Federal positions, and six have retired. Of the twenty one remaining employees, all but one intermittent employee are eligible for severance pay.

MINERALS INFORMATION

Minerals related policy studies, defense mobilization planning, land assessment decisions and minerals research priorities all rely on the availability of minerals information. It is imperative that this information base be maintained and continually refined to assure its accuracy and timeliness in the formulation of industrial and Federal policies as they relate to the minerals and materials sector. Changes in industry structure and demand patterns for mineral commodities and materials, technological advances, increased dependence of the United States on imports for a number of minerals and metals, all affect minerals information needs. To meet these evolving data requirements, the proposed budget includes a $466,000 program increase. This increase will fund preparation of a Mineral Perspectives publication covering major mineral developments in China and their impact on the U.S. economy and U.S. investment opportunities. It will also fund a study to define the opportunities for innovation in disseminating minerals information that are offered by electronic data storage, transmission, and display techniques, thereby reducing publication costs. In addition, because of the emerging strategic and economic importance of advanced technology in the United States, the Bureau is expanding the scope of its program to examine advanced technology-related minerals and metals, especially those with defense, space, medical and communications applications.

MINERAL DATA ANALYSIS

The emphasis of the Mineral Data Analysis program in FY 1988 will be on the analysis of structural change in the mineral industry on international competitiveness issues affecting the minerals position of the United States, including the impact made by high-tech materials. Additional emphasis will be placed on the analysis of the economic impact of regulatory action on the Nation's mineral industry to provide badly needed input to regulatory policymaking. The analysis of direct and indirect national economic impacts of an import supply disruption in selected strategic materials will continue and will provide a basis for evaluating policy proposals for actions to minimize domestic impacts. A new study will investigate the impact of trade agreements and tariffs and other factors of production on the U.S. minerals industry.

The Bureau will continue to assess the opportunities for recovering strategic and critical minerals in the Exclusive Economic Zone. Land-based resources of strategic and critical minerals in the western states and Alaska will also be assessed to determine their potential contribution to the U.S. mineral supply. Published information about selected deposits in China will be evaluated to assess the impact of their potential production on world markets.

The Bureau also will continue to provide detailed mineral resource information on public lands to assist in determining the potential for the economic development of those resources and for other land-use decisions. In addition, the Bureau will supply expert evaluations needed in expanding the domestic supply of resources, particularly strategic and critical minerals. Efforts will be directed towards conducting the national forest mineral surveys, five of which will be underway by FY 1988. Work in Alaska will include mineral investigations of the Juneau and Valdez Creek Mining Districts.

RESEARCH OVERVIEW

The FY 1988 budget process has been used as a mechanism for directing internal changes in the Bureau's mineral research programs. In all three programs, (Minerals and Materials Technology, Health and Safety Technology, and Mining Technology) there is an annual turnover of projects as ongoing work is completed and new work is started. There is also a shifting of resources among ongoing projects as they move through phases when more or fewer resources are required to accomplish their objectives. The Bureau has used these opportunities to redirect research efforts within the funding targets available to more sharply focus its scientific and engineering talents upon those areas with the greatest potential for carrying out the Bureau's mission and the President's program.

MINERALS AND MATERIALS TECHNOLOGY

The Minerals and Materials Research activity has been retitled and restructured as Minerals and Materials Technology to reflect innovation in mineral processing and mineral based materials to make processing less costly; to make the domestic industry more competitive; and to investigate new techniques and materials. Research efforts will apply high technological solutions of mineral and materials processing, including projects in genetic engineering to apply biotechnology for minerals recovery and effluent treatment; inorganic membrane research; joining technology for rapidly solidified alloys (RSA) and ceramics; application of plasma technology for ceramics, carbothermic reduction of alumina, and silicon nitride refractories; use of supercritical fluids for metal extraction; use of ultrasound to enhance solvent extraction and leaching; nondestructive evaluation of materials using pulsed lasers and ultrasonic techniques; and use of intermetallic and transitional materials as substitutes for platinum in catalysts. Much of this work will be accomplished under contract by the Idaho National Engineering Laboratory.

In its inhouse program the Bureau will begin a major research effort to adapt and extend its highly developed metallurgical techniques to better understand and deal with problems of water contamination that are associated with mineral production. This research will provide technology to help our mining and mineral processing industries meet costly and increasingly stringent environmental requirements and also to recover scarce mineral values that are now being dispersed into the environment. Such specialized treatment technologies can help complement traditional pollutant control strategies of concern to the Department of the Interior and the Nation as a whole.

The Bureau will also step up development of technologies for removing inorganic contaminants such as cyanide, arsenic, and heavy metals from soils. This too is a major and growing problem for the industry in decontaminating mining and mineral processing waste disposal areas to achieve compliance with environmental standards. Additional resources will be devoted to research in advanced materials which can be used to improve mining and processing efficiencies and which can require the use of traditional metals in new forms (e.g. dispersed, impregnated, and intermetallic ceramic composites). Emphasis will also be placed on application of automated controls in minerals processing to improve cost and recovery effectiveness.

MINING RESEARCH

Finding new ways to improve worker health and safety remains a principal Bureau concern. Since the Bureau's establishment in 1910, its Health and Safety research has helped the mining industry to achieve major gains in health and safety for its workforce. Despite these improvements, however, the death rate from mining accidents is still several times the average for all industries. Since it already is impractical to remove all hazards from the miners, further improvement must be accomplished by removing the miners from the hazards; in other words, by remote control of all mining operations. To make this possible, Bureau research will take the lead in both the development and transfer of such emerging technologies as robotics, expert systems, and automation. Increased use of these advanced technologies will not only help to make mining safer and more healthful, but will also improve productivity and the industry's global competitiveness. For these reasons, the Bureau is accelerating the redirection of its Health and Safety and Mining Technology research toward this field. Since these high technologies have applications in several of the traditional research areas, they are included under Ground Control and Industrial Hazards in the Health and Safety program as well as the Advanced Mining Technology program.

In their action on the Department of the Interior's FY 1987 budget, the Congress transferred Abandoned Mine Reclamation Research, authorized by Title IV of the Surface Mining Control and Reclamation Act, from the Office of Surface Mining Reclamation and Enforcement to the Bureau of Mines. The funds required for this research, therefore, appear in the Bureau's budget for the first time this year.

An additional inhouse research thrust in Mining Technology is being placed on in situ (or solution) mining. Compared to conventional mining technologies, in situ mining promises to be less environmentally disruptive, less capital intensive, and to pose fewer health and safety hazards for its workers. It also has the potential of allowing economic exploitation of small and/or low grade deposits which cannot be developed with conventional technologies. The Congress made additions to the Bureau's FY 1986 and 1987 budgets for engineering design of a demonstration project to use this technology for copper mining; this work will be completed during 1987. The Bureau intends to augment the necessary laboratory work needed to apply this technology to other types of deposits, including those containing strategic and critical minerals.

GENERAL ADMINISTRATION

A significant change proposed is a base adjustment transfer from General Administration to Mining Research. These resources have been used to provide facility support, operation, and maintenance services at the Pittsburgh Research Center. Transferring the resources to the programs for which they provide support has several advantages. First, it corrects an anomaly in funding these costs which dates back to earlier years when most of the Bureau's programs had activities in the Pittsburgh area, and including them under General Administration was the most sensible administrative arrangement. Second, it also improves the management of the Bureau's resources by making the Research Director at Pittsburgh directly responsible for the people and resources supporting the maintenance and operation of his facility.

HELIUM OPERATIONS

Under the provisions of the Helium Act of 1960, as amended, the Bureau of Mines has been providing helium needed by Federal agencies, primarily the Departments of Defense and Energy and the National Aeronautics and Space Administration. It has also been storing and conserving the Nation's helium resources. These activities have been funded through a revolving fund financed principally from offsetting collections received from other Federal agencies who purchase helium from the Bureau. In FY 1988, the Administration proposes to privatize these activities by sale of the Bureau's helium refining and distribution facilities to a private operator, while retaining Federal ownership of the existing helium reserves. This operator would then provide for Federal agency needs by withdrawing Federally owned helium from the existing reserves. Legislation will be proposed to forgive the existing debt to the Treasury, which financed the acquisition of the helium reserve, plant, and equipment, and all future revenues would be passed on to the Treasury.

A contract will be awarded early in 1987 to assess the estimated market value of the helium operation, and define the steps needed to sell the program's assets, while assuring the continued availability of helium for government operations. Using the results of the assessment, private industry bids will be solicited.

Mr. Chairman, that concludes my prepared statement, and I will be happy to respond to your questions.

FISCAL YEAR 1988 REQUEST

Mr. HORTON. It is a pleasure to appear before you today. It is always a pleasure to appear before a fellow Nevadan to discuss the Bureau of Mines programs and the budget request of $118,630,000 for the mines and minerals appropriation for fiscal year 1988.

Within that request, we have $70,809,000 for minerals research, $29,052,000 for minerals information and analysis, and $18,769,000 for general administration.

For fiscal year 1988 the Bureau proposes several important new thrusts and resource reallocations which more clearly focus the priorities toward achieving the goals contained in "Project 2000—A Strategic Plan for the Bureau of Mines."

The changes essentially channel some of the Bureau's unique research and analytical talents toward several current and emerging problems significantly affecting the health and global competitiveness of the domestic mining and minerals industry.

The Bureau seeks to take greater advantage of opportunities to impact several critical policy issues, influence and accelerate technological innovations, better anticipate and prepare for future market conditions, and improve worker health and safety.

Emphasis is given to: Mining and processing automation; robotics; artificial intelligence; computer integrated systems; high technology metals and advanced materials, particularly in intermetallic compounds and ceramics; plasma physics; biotechnology; water and soil contamination; regulatory analysis; enhanced information dissemination; and strategic and critical minerals recovery.

The research priorities in particular are directed, where appropriate, to the application of advanced technologies which promise revolutionary rather than evolutionary or incremental improvements, while at the same time continuing the Bureau's strong commitment to basic research.

Such changes in base technology can help make American mining and mineral processing industries more innovative and competitive in global markets.

The fiscal year 1988 budget includes two efforts not previously proposed in the Bureau of Mines program: abandoned mine land research, which was transferred to the Bureau from the Office of Surface Mining Reclamation and Enforcement in the continuing resolution that provided fiscal year 1987 funding for Federal programs, and regulatory project coordination, a new office established during 1986.

CLOSURE OF AVONDALE RESEARCH CENTER

I am sure that you are aware that we are completing implementation of our January 7 decision to close our Avondale Research Center. The decision to close one of the six research centers currently operated under the Minerals and Materials Research Program was not demanded by any single event. Rather, it was required by the collective events of the past several years during which budget requests and subsequent appropriations declined while many unit costs increased.

The aggregate result was that resources, funds, and personnel were too thinly spread and diminishing operational efficiencies became unacceptable. Consolidation of research activities, the closure of one research center and the distribution of its resources and programs among the remaining five research centers will alleviate the operational inefficiencies and substantially strengthen the research program.

The Avondale center had the smallest permanent staff and the least involvement with a locally based minerals industry of any Bureau center. The Bureau has offered transfers to a higher proportion of the staff, at lower overall cost, than it could at any other center.

Of the 49 permanent employees, 43 full-time and 6 part-time/intermittent, 15 have accepted their transfer offers, 4 have transferred elsewhere in the Bureau, 3 have accepted other Federal positions, and 6 have retired. Of the 21 remaining employees, all but 1 intermittent employee are eligible for severance pay.

RELOCATION OF BUREAU OF MINES HEADQUARTERS

As part of our continued efforts to keep you informed about potential relocation, you should know before our next hearing that the Bureau's headquarters offices will probably have been moved. The GSA has informed the Bureau that it must vacate its present headquarters offices in Columbia Plaza within about 1 year so the building can be renovated. GSA is currently seeking new space for us.

BUREAU ACCOMPLISHMENTS

Thank you, Mr. Chairman. At this time or at your pleasure, we would be glad to give you a brief review of some of our mining and mineral accomplishments this past year.

Senator REID. You have about 15 minutes' worth? At this time this would be perfect.

Mr. HORTON. Thank you.

I would ask John Murphy, Director of the Pittsburgh Research Center, to make the presentation.

Mr. MURPHY. Good afternoon, Mr. Chairman. It is a pleasure to be with you.

Let me share with you some of the highlights from our mining research program pertaining to the issues in the health and mining technology program relative to safety and mining technology.

Senator REID. Members of the audience can come up here if they would like to see. They have probably seen it a few times. [Laughter.]

DUST REDUCTION

Mr. MURPHY. One of the mining processes is the longwall mining method. In this particular case dust is generated by the extraction, which is illustrated by the photograph in the upper right. By modifying the drums so that there are water-powered, ventilated tubes that catch the dust and then dispose of it as a paste, we have seen significant reductions in dust from the trials to date.

As you can see from the lower right, there is up to a 55-percent reduction in dust levels.

One of the other technologies that has been quite successful, not only in terms of dust control but also in terms of improved cutting efficiency, is the use of a water jet that assists mechanical cutting. Low pressure water jets have resulted in significant reductions in respirable dust, and at the same time we see great improvements, like the cutting picks on the shearer drum that last about five times longer.

There are some full-scale trials that are currently scheduled, and we are excited about the technology, both as it relates to the problem of dust reduction as well as overall efficiencies.

NOISE CONTROL

Looking at the problem of noise control in mining, there are severe problems in that the standard form of protection is earmuffs. As this illustrates, depending on the orientation of the miner's head, you can get significant reductions in the amount of attenuation that the earmuff delivers.

As an example of noise control, we have a piece of drill steel you typically find in a pneumatic drill in both coal as well as metal mines, and when I hit it with a hammer as the drill hits it, it rings quite significantly.

As an outgrowth of the research, we have basically modified the drill steel so that when I hit it the same way there is actually no ringing. We get the same performances as we do with the other drill, and, in fact, another innovation in the research pipeline relates to the manner in which we couple these drill steels. We are actually seeing increased drilling performance as opposed to the reductions you normally would encounter.

Another problem on the health side relates to the diesel exhaust and the potential problems that these emissions cause. This poster board relates to a variety of emission control techniques that we have developed and are actually evaluating with our Canadian colleagues, where this is a joint effort between the Bureau of Mines and Canada.

We are pleased with the results based on the trials to date. We believe that we can significantly improve the emissions characteristics and reduce the levels that you find from a diesel engine used underground.

BOLT BONDING PROCESS

Moving to the safety program for a moment, you see our poster boards relating to resin grout, and I have in my hand a short section of a resin grouted bolt. These are typically 4 to 12 feet long, and the way this works is the resin cartridge is inserted into the bolt hole then the bolt is inserted and spun to pierce the cartridge and mix the resin. The bolt is now grouted or cemented in the hole.

One of the problems is how does one determine whether that bonding process has succeeded. We are using some high technology and applying it to this problem based on laboratory results which are quite successful.

This was a prototype of a device that sent an acoustic wave up the roof bolt, and looking at the analog signal that came back, the hope was to be able to determine if the bonding was proper or not. The results were marginally successful, depending on the particular conditions, but by the application of some intelligent signal processing to this particular device we can over 99 percent of the time, based on our laboratory trials, accurately determine whether the bolt is bonded or not.

This is just one example of the application of some of these new emerging high technologies to the mining problem, and based on the progress to date, it is very successful.

GEOMECHANIC GROUND CONTROL

Looking at the problems of geomechanics and ground control as it relates to the metal and nonmetal mines, here we have two examples. This is the Billy Mine in Nevada, in which we worked very closely with the mine personnel looking at some alternative roof support technologies, and here we see the installation of some new friction stabilizing roof supports which have worked out quite well for this particular type of geology.

And in addition, this picture is of the Nevada test site. The Bureau has actively worked with the Nuclear Regulatory Commission and with the Department of Energy on relates to the application of geomechanics and geotechnology to ensure that these particular repository designs are being done safely and properly.

Mr. Chairman, as it relates to the Billy Mine, you might be interested in a sample of the colemanite from that mine. That not only is an important mineral, but also a very attractive mineral specimen.

Moving to other problems that relate to——

Senator REID. What is this?

Mr. MURPHY. Colemanite.

Senator REID. Thank you.

MINE BUMPS

Mr. MURPHY. Another problem relating to rock control and geomechanics is mine bumps. This is both an eastern and a western problem, and basically it can be described as where sections of the mine, the coal or the floor literally explode from ground pressures, and you can see in the upper photograph there is a coal pillar that has exploded and displaced the material into the mine entry.

We have been actively addressing this problem both from a microseismic viewpoint in terms of identifying where the stress builds up and also in terms of some geomechanics techniques to measure and identify problem areas.

Based on our trials to date, we are excited about the results. There is more work that needs to be done, but this is a problem that we are getting a handle on.

If we look at the problem of mine fires, this is just statistics on the right hand photograph to say that it is a continuing problem and a picture of a mine entry that is devastated by a fire.

One of the problems we are looking at is the flammability of conveyor belts, and I have with me a series of mine conveyor belts, and to the naked eye they all look the same. The fact is that some of these things burn on an order of magnitude faster than the others.

In fact, some of the belts that have been approved by the standard fire resistance approval test burn dramatically under full-scale trials, and we are conducting large-scale trials at the moment at our Lake Lynn Laboratory.

SUBMICRON PARTICULATE ANALYZER

Relative to the problem of mine fires, one of the questions is early detection and also the ability to discriminate between the indicators like smoke that is produced by fire, particularly a smoldering fire, and also the particulates produced by a diesel engine.

The simplest way for me to illustrate that is to show you this particular device, which is a submicron particulate analyzer, and with a particular adapter, known as a repyrolysis unit, we can actually discriminate between smoke from combustion like this match, which I will show you in a moment, and from the smoke that comes from a diesel engine.

This particular instrument does not have an alarm on it. But there is an indicator dial, and when it is exposed to a small quantity of smoke, the numbers rise very rapidly, and of course connected to an indicator could be used as an alarm.

The initial version of this is being commercialized and will be available in the next 6 months.

Another problem relates to mine explosions. While this is predominantly a coal mine problem, there are also problems as it relates to sulfide mines, the potential oil shale industry, and so forth.

This is just a picture of a mine explosion from our experimental mine. One of the techniques that is successfully used to minimize these problems relates to the problem of these tungsten carbide cutter heads, and we have been able to demonstrate that simply by changing the tip of the cutter from what I have in my right hand to what I have in my left hand, it will, in fact, reduce by an order of magnitude the probability of a frictional ignition.

Some mining companies are retrofitting to go to this new bit design with some recommended changes in present bit spacing.

METHANE CONTROL

Now, let me talk about methane control.

As you are aware, there are large quantities of methane captured, and we have developed a variety of techniques to remove and reduce this methane, both in terms of drilling as well as predictive techniques.

One of the problems, of course, is how do you transfer the technology so that the mining industry can use it on a regular basis.

Mr. Chairman, if time permits afterwards, I will demonstrate for you. Let me just say that through the use of expert systems we now have some advanced prototype expert systems that can be made available to the mining industry to advise the miners and the mine engineering personnel how to adapt and develop techniques for their particular problems. It works like an interview session where you talk to the expert system in the computer program, and it will then easily identify the application of the right technology.

We are quite excited about it, and the people who have tried it are excited as well.

SELF-CONTAINED SELF-RESCUERS

Another area relates to postdisaster, specifically to self-contained self-rescuers. As you are perhaps aware, there is a requirement in coal mines to carry or to have available a device such as this [indicating]. It is intended to provide a minimum of 1 hour of oxygen to be used during escape. It is cumbersome and heavy, as you can see, and based on prior Bureau of Mines research, we have been able to come up with a prototype which I have in my right hand.

This particular device is—when finished. We expect some further refinements before it is made available—will be 50 percent of the weight of this typical device and will be about one-third the volume.

There has been considerable interest. We have been working closely with the industry and with the union in terms of the evaluation of this, and the results are very promising.

Senator REID. How much does the prototype self-rescuer weigh?

Mr. MURPHY. This particular one, sir, when it is in its final version, will be 2.2 kilograms, roughly 4 pounds. The current devices that are being used are on the order of 4 kilograms, and so, as I say, it is about a 50-percent reduction in weight.

As Mr. Horton indicated, we are looking at some high technologies like robotics as it relates to mining.

This poster board addresses several concepts, including some ways to remotely support the mine roof before the coal is extracted and also to look at some guidance and control techniques for, in this case, longwall mining, although the sensor is applicable to this or applicable to other mining systems.

We are also looking at the problem of multiple seam mining. As you can see from the illustration, coal deposits typically lay on top of one another, and depending on the mining practices that take place in the first seam that is mined, you will find some severe problems potentially in terms of trying to mine above or below the mined seam.

Here you can see statistics in terms of the effects of adjacent seam mining on production and similar impacts in terms of health and safety.

We have been working very closely with companies on this, and it has been mutually beneficial. We are excited about the potential this offers.

In terms of metal and nonmetal mining, there is a phenomenon known as rock burst, again which results in catastrophic failure of the rock, the pillars or the other parts of the mine.

Our emphasis has been, both in terms of laboratory studies, looking at the mechanisms that cause these problems as well as in some rather detailed instrumentation for detection, there is earlier Bureau work being used in some parts of the industry and there is new emerging technology that we believe is applicable for current problems.

The subsidence activities are illustrated on this chart, and the top portion of the chart addresses the problems with subsidence. We have had success in looking at alternative foundation designs and how these foundations can be more resistant for subsidence prone areas.

We are looking at the hydrologic effects in terms of local groundwater and how subsidence affects that and what type of recovery does one get after the mining passes.

And last, but not least, is the computer simulation, and I can tell you again if time permits we have computerized subsidence prediction techniques that the industry has been very excited about.

In terms of some water contamination from mine wastes, both in terms of eastern and western mining operations: for metal and nonmetal, this particular poster relates to some of the western metal/nonmetal mining activities. We have some active programs looking at this. We are interacting and working with EPA in terms of their interest and concerns. It is a major problem with major financial impact in the industry. There is a lot of potential to do things in this area.

IN SITU COPPER PROGRAM

In terms of the in situ copper program, as I believe you are aware, we have an active study looking into the Casa Grande area. There is an ongoing in-house and laboratory program, and perhaps the easiest way to illustrate the phenomena is with this little sample here, in which I have a specimen of copper bearing ore in the middle. Above it I have a solution, and on the bottom we have some of the leach ate that has permeated through the specimen, and of course you can see the colors change, indicating the pickup of copper.

It is through small-scale laboratory studies. And a large contract program in terms of looking at site feasibility that we are proceeding with an assessment of that technology.

ACID MINE DRAINAGE

Let me say just a few words about acid mine drainage, which is a very important problem, not only in the East but in the West, as it relates to both coal mining and sulfide mining.

The techniques here relate to what we call an in-line treatment system which reduces the capital costs, which you can see on the graph, and it reduces the chemical cost in terms of the process significantly, and it reduces the maintenance costs.

As an example, a normal water treatment plant for a typical mine would cost $250,000 to $1 million. With this particular process, you can accomplish the same for about $25,000.

Another technique that has worked very well today in certain areas for acid mine draining treatment relates to wetlands. These are various types of plant species that have been planted, and when the acidic water flows through them they are capable of removing the iron, and once the iron is removed from the acid bearing water then it can be neutralized simply by moving it over crushed limestone. This is catching on like wildfire.

The problems to date are that it works over a limited pH of water, and our research is directed at extending this to more extensive and broader range.

Mr. Chairman, that summarizes some of the highlights. I appreciate the opportunity to present them to you.

IMPACTS ON FISCAL YEAR 1988 PROGRAM

Senator REID. Mr. Horton, how are all these programs working with this big cut that you are taking?

Mr. HORTON. There has to be reduction, obviously, Mr. Chairman, in the overall package.

Senator REID. How much does the private sector cost share these things that you are doing?

Mr. HORTON. I don't know that I can give you precise numbers. It varies widely. We have at the present time about 150 memorandums of agreements with mining companies. Where it is necessary for us to work underground, in some instances the mining company provides funds. More commonly, they provide the mine labor support and access and some materials, but contribution by the mining companies is a substantial portion of our work.

KEYWORTH INITIATIVE

Senator REID. In 1986 and 1987 Congress appropriated $10 million to the Department of Energy for what is commonly known as the Keyworth initiative, or the steel initiative, named for the President's science advisor. I am sure this initiative is designed to improve the competitiveness of the U.S. steel initiative by leapfrogging existing technology in steelmaking.

In the short term this will lead to energy conservation, with the longer-term vision of eliminating the blast furnace, the coke oven, and developing an entirely new way of making a higher quality, higher yield product.

In fiscal year 1988, the Bureau will be conducting basic studies in a one-time pilot scale furnace. This research could provide the basis for designing a new generation of super efficient, state-of-the-art steelmaking furnaces, with the purpose of reducing noise levels and energy consumption.

The program plan for the steel initiative indicates that the Bureau will be invited to submit research proposals to the Department of Energy and to otherwise participate in technical activity reviews.

Have you had an opportunity to review the steel initiative?

Mr. HORTON. I am familiar with it, Mr. Chairman, and as yet we have not been asked by DOE to submit proposals.

Senator REID. How does the Bureau's 1988 work relate to the steel initiative, if at all?

Mr. HORTON. We are not doing any particular metallurgy in steelmaking at the moment. We do look at some alloys, stainless steels, and iron ore problems.

Senator REID. Should there be a relationship?

Mr. HORTON. Yes; there well could be. When Mr. Keyworth proposed that initiative, I had some discussions with him and we also talked with members of the iron and steel industry, and it was later determined by Mr. Keyworth to proceed through his office rather than through the Bureau of Mines.

REDUCTION IN THE GROUND CONTROL PROGRAM

Senator REID. You have proposed a $2 million reduction, or 20 percent, for the ground control programs. This reduction will be accomplished by reducing high priority research relating to the control of coal bumps and rock bursts that Congress accelerated in 1987, as we saw from some of the pictures that Mr. Murphy displayed.

The justification indicates that an adequate amount of funds are requested in 1988 to conduct an appropriate level of research and enhanced funding would not be required.

Since these funds were proposed to be rescinded, they have only been available to the Bureau since mid-March.

What has been accomplished since the rescission expired that justifies this proposed reduction?

Mr. HORTON. We will spend those funds appropriated for 1987 in that work. We are having more and more difficulty finding mines to cooperate in that two of our subject mines have closed, and we have had to look for other mines in which to install equipment.

A similar problem is in the Coeur d'Alene, where mines are shut down. Although some of the mines are shut down, they may start up soon, we do feel that the reduced level is appropriate for the area.

Senator REID. You are going to be able to spend the money by the end of the year, the money that was not rescinded?

Mr. HORTON. We will have it spent or obligated.

Senator REID. How will this research change in 1988, if at all?

Mr. HORTON. There will be reduction by reason of the reduction in our request.

Senator REID. But how will that reduction affect the basic research?

Mr. HORTON. Specifically, we will not do as much onsite testing as we might have been able to accomplish otherwise. Offsetting that, however, are discussions we have going on with some mining companies, particularly one in Idaho, that has indicated that they may be willing to spend as much as $600,000 to install a system in their mine, and we may be working with them in extending our research in that area.

TRANSFER OF TITLE IV RESEARCH FROM OFFICE OF SURFACE MINING TO BUREAU OF MINES

Senator REID. In the 1987 continuing resolution, Congress transferred title IV research responsibilities from the Office of Surface Mining to the Bureau of Mines and provided $1.9 million for that purpose.

Your justification indicates that you will begin to implement the research plan developed in 1987.

What is the status of your request for proposals in this area?

Mr. HORTON. The Office of Surface Mining had requested proposals for 1987 prior to the transfer to the Bureau of Mines. Rather than reinitiate those requests, we took the proposals that had been submitted to the Office of Surface Mining. I appointed the panel that the statute requires. That panel has reviewed the proposals, and they are in the process of being awarded now, and we would continue the same process in 1988.

However, we are asking—making arrangements with the National Academy of Sciences to review our entire program in that area, and we may change some of the emphasis following that study.

Senator REID. Will your efforts in this area differ from OSM's?

Mr. HORTON. At the moment, no, in that the proposals for which the projects will be selected are the same proposals submitted to OSM. The slant may change in the future, yes.

Senator REID. Will acid mine drainage be a priority?

Mr. HORTON. Yes.

Senator REID. What funding will be devoted to this program in 1988? Do you know?

Mr. HORTON. I can provide that for the record.

[The information follows:]

FUNDING FOR AML RESEARCH IN FISCAL YEAR 1988

The Bureau of Mines fiscal year 1988 request includes $1,900,000 for abandoned mine land research; this figure is level from fiscal year 1987. The fiscal year 1988 program will be formulated using input from a study of research needs and priorities currently underway. A request for research proposals will be published before the end of June 1987.

ACID MINE DRAINAGE

Senator REID. Will there be a shift in emphasis in the next year?

Mr. HORTON. On acid mine drainage?

Senator REID. Yes—rather the program in general.

Mr. HORTON. We don't anticipate any right now. But as research results come in, problems are solved, new areas are identified, other areas for research are identified. I cannot say that I would not want to say no, that the emphasis will not change.

Senator REID. You have requested no new funds for studies of the Illinois subsidence on prime farmland. Since substantial progress has been made, apparently you believe that remaining efforts should be conducted and completed by the State of Illinois, is that correct, and we should stay out of it?

Mr. HORTON. Yes, Mr. Chairman; that has been a shared funding in the past, and we believe they are well capable of taking over monitoring of the current project site. The Bureau will remain active in the Illinois program through research conducted at our Twin Cities research center.

Senator REID. You have notified the State to that effect?

Mr. HORTON. Yes.

REDUCTION IN SAFETY HAZARD RESEARCH

Senator REID. Research on safety hazard reduction is proposed for a decrease of more than 21 percent compared with the fiscal year 1988 base.

How many mining-related accidents and deaths occurred in each of the last 3 years in the United States?

We saw the fires and explosions on the charts. Can you give me a rundown as to those figures?

Mr. HORTON. Yes; in the last 3 years, in 1984— for both coal and noncoal there were 206 deaths in 1984, 124 in 1985, and 134 in 1986. This is down substantially from some of the previous years.

I am sure that you appreciate that the absolute number of deaths is somewhat of a random number because it is a very small number, with a very large number of employees, but the general trend has been down.

I have some charts here that I would be pleased to provide you, Mr. Chairman, that shows a decrease in the number of fatalities and injuries.

Senator REID. Over what period of time?

Mr. HORTON. Since 1961.

Senator REID. Wouldn't the kind of research that is being done under the safety hazard reduction program help reduce the number and severity of these accidents in mines?

Mr. HORTON. Yes; and we believe it continues to do that. There have been substantial reductions in the past. We believe that much of the new effort should be concentrated on human resources, human activities as opposed to equipment.

We have done much equipment work in the past, and we feel that we are near complete with that. The problem now is to keep the miner from undertaking those activities that are dangerous or from putting himself in dangerous positions.

Some of our studies indicate there is substantial success to be achieved in those areas.

Senator REID. If you were given an extra $5 or $6 million for safety hazard reduction, what specific programs would you undertake? In effect, what would you do?

Mr. HORTON. Rather than giving you a fast answer, Mr. Chairman, I would rather submit that for the record or submit it separately.

Senator REID. Fine.

[The information follows:]

ADDITIONAL FUNDING FOR THE SAFETY HAZARD REDUCTION PROGRAM

Current budgeted amounts are sufficient to conduct an appropriate level of research within health and safety technology in light of administration efforts to reduce the Federal deficit. Should the Congress direct the Bureau to enhance planned research efforts in safety hazard reduction, the following programs would be expanded:

Mountain bumps and rock bursts (ground control).— + $1,250,000 to develop control measures and destressing techniques for mountain bumps and rock bursts. Research will also upgrade the state of the art of microseismic monitoring techniques to real-time for reliable and timely determination of excessive stress builups leading to impending round failures.

Electrical hazards (industrial hazards).—$500,000 to improve the reliability of mine power systems to protect miners from shock or electrocution when they, unintentionally or because of poor judgment, come in contact with energized conductors. Investigations to improve training and management techniques that encourage safe practices around electrical systems will also be conducted.

Robotics (industrial hazards).— + $1,250,000 to accelerate the evaluation of technology to apply autonomous (computer controlled) navigation and control to mining machines. Research will also include developing and applying artificial intelligence (expert systems) for safety and production management of workers and equipment at the face.

Fires and explosions (mine disaster prevention).— + $1,500,000 to improve sensors for detecting carbon monoxide, methane, and smoke particulates and to continue evaluation of systems for early warning and rapid suppression of mine fires. Emphasis wil be placed on effective suppression of high-energy deep-seated mine fires.

Postdisaster (mine disaster prevention).— + $700,000 to continue to evaluate and improve self-contained self-rescuers so they can be lighter weight and smaller and, indeed, be person wearable while miners are performing their work. Research will also include improvements to rescue team breathing apparatus, especially the helmet for atmosphere isolation, communication, and visibility.

Methane control (mine disaster prevetnion).— + $800,000 to investigate improved techniques to minimize methane hazards in advance of and during mining. Research will focus on cross measure methane drainage techniques for longwall and room and pillar retreat mining under varied seam conditions.

The Bureau of Mines has the necessary capabilities to accelerate health and safety technology research efforts should funds be appropriated.

EDNA MINER FUNDING

Senator REID. Will the reduced request for coal mining technology, which is about $4.5 million, still allow you to fund research on the EDNA miner in fiscal 1988?

Mr. HORTON. Let me ask my expert, Mr. Murphy.

Mr. MURPHY. Mr. Chairman, the answer is no. What we are doing as it relates to the EDNA miner pertains to control and guidance work, various types of sensors to control this type of machine. With reduced funding, there would not be any resources available to do that.

Senator REID. What effect will that have?

Mr. MURPHY. Mr. Chairman, that particular type of technology is applicable in terms of recovering some rather extensive resources that otherwise cannot be recovered at all, at least not in an economical mode.

I might also point out to you that the technologies that we are trying to develop, specifically control and guidance, are applicable to deep underground mining as well. So basically our technology base will slip, and there will be an inability from a technical and cost viewpoint to recover hilltop reserves.

EFFORTS IN STEELMAKING

Senator REID. We would ask that you clarify the statement that you made regarding the work that you are doing or not doing on steelmaking. We have in your budget the understanding of electric arc steelmaking—that would be extended—a 1-ton pilot scale furnace, and an operating commercial furnace.

Mr. HORTON. Yes; that is looking at the ability within the electric furnace—that has an impact on not only steelmaking, but more particularly on steel recycling—to develop techniques that will stabilize the arc. By doing that one cannot only reduce the noise but reduce the energy consumption and have a more effective arc furnace.

Senator REID. That is what the experimental project is?

Mr. HORTON. Yes.

Senator REID. Thank you very much for your testimony.

SUBCOMMITTEE RECESS

This subcommittee will stand in recess until Thursday, April 30, 1987, 9:30, at which time we will review the fiscal year 1988 budget request for the U.S. territorial governments.

[Whereupon, at 3:26 p.m., Tuesday, April 28, the subcommittee was recessed, to reconvene at 9:30 a.m., Thursday, April 30.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

THURSDAY, APRIL 30, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m., in room SD–124, Dirksen Senate Office Building, Hon. J. Bennett Johnston presiding.

Present: Senator Johnston.

DEPARTMENT OF THE INTERIOR

TERRITORIAL GOVERNMENTS

VIRGIN ISLANDS

STATEMENT OF RON DE LUGO, DELEGATE FROM THE VIRGIN ISLANDS, U.S. HOUSE OF REPRESENTATIVES, CHAIRMAN, SUBCOMMITTEE ON INSULAR AND INTERNATIONAL AFFAIRS

ACCOMPANIED BY HON. ALEXANDER FARRELLY, GOVERNOR

OPENING REMARKS

Senator JOHNSTON. The subcommittee will come to order.

Today the subcommittee will take up the fiscal year 1988 budget request of the Office of Territorial and International Affairs.

We will begin by hearing the testimony of the territorial and commonwealth governments and then we will receive testimony from the administration officials.

Because of time constraints, we have allotted 10 minutes for each witness. Your full statements will automatically be placed in the record at the appropriate place. Please use 5 minutes to summarize your statements so that we may use the remaining time for questions.

We have put a note pad on the witness table. If each witness and those accompanying each witness would please write his name for the court reporter, it would be appreciated.

I am very pleased to see so many of my good and old friends. We do not say old friends any more. We say friends of long standing. Once you get to be of a certain age like Ron de Lugo and I, we say we are friends of long standing.

Indeed, we will start this morning with two good friends and that is Ron de Lugo, who is the Congressman from the Virgin Islands; and their outstanding new governor, Alex Farrelly. So, Ron, please proceed.

REMARKS OF DELEGATE DE LUGO

Mr. DE LUGO. Thank you very much, Mr. Chairman, and it's a pleasure to be here before you and we are long-time friends and you are a great friend of the Virgin Islands and we really appreciate this longstanding association.

It is my distinct pleasure to introduce to the committee our new governor. You have already met him, Mr. Chairman, and you know Alexander Farrelly. He is our first elected democratic governor in the 16 years that we've been able to elect our own governor and, even before his election as governor, Alexander Farrelly has been an outstanding member of the Virgin Islands community. He is considered—and there's no question about it—he has been one of the best trial attorneys that we've ever had. He was a member of the local legislature, a senator. He is a past president and counselor to the Constitutional Conventions that were held in the Virgin Islands. He was a U.S. attorney and he was a judge of our courts.

I'm not going to use much of my time. I'm going to yield most of my time to the governor because he's got the important message today. He will present you today with a frank assessment of the condition of the Virgin Islands with a straightforward outline of his plans to get the Virgin Islands' house in order.

While the scope of his plans is broad, I can assure you, Mr. Chairman, that he comes into office on a wave of tremendous good will and support from the people of the Virgin Islands. They will listen to Alexander Farrelly because they respect him and they will follow him because they know that he respects them.

While the governor will present his case for the appropriations that we're seeking, I would like to point out that we are not asking for funding for new projects. To briefly reiterate the budget recommendations made with unanimous bipartisan support by my subcommittee on the House side, the Subcommittee on Insular and International Affairs, and adopted by the full Interior Committee, we are seeking a loan of $4 million for continued improvements to the St. Croix airport runway, which will be repaid from entitlement funds and landing fees; fulfillment of the 1986 Drug Act's commitment of $4 million for narcotics interdiction and local abuse programs; $500,000 in technical assistance to enable the territory to modernize and manage its data systems; appropriation of the authorized $1.2 million for the technical assistance capabilities of the Eastern Caribbean Center; and $2.4 million as proposed in the President's budget to continue the long overdue and urgent water system improvements.

PREPARED STATEMENT

Mr. Chairman, I'm going to submit my written statement for the record and at this time I want to yield the balance of my time to the distinguished new governor of the Virgin Islands, Alexander Farrelly, to outline in detail our requests.

[The statement follows:]

Statement of Ron de Lugo

IT IS MY DISTINCT PLEASURE TODAY TO INTRODUCE TO YOU OUR NEW GOVERNOR, ALEXANDER A. FARRELLY. GOVERNOR FARRELLY IS OUR FIRST ELECTED DEMOCRATIC GOVERNOR IN THE SIXTEEN YEARS WE HAVE BEEN EMPOWERED TO ELECT OUR OWN GOVERNORS.

EVEN BEFORE HIS ELECTION AS GOVERNOR, ALEX HAS BEEN AN OUTSTANDING MEMBER OF THE VIRGIN ISLANDS COMMUNITY, ONE OF TH BEST TRIAL ATTORNEYS WE HAVE EVER HAD, A MEMBER OF THE LOCAL LEGISLATURE AND A PAST PRESIDENT AND COUNSELOR TO CONSTITUTIONAL CONVENTIONS.

HE WILL PRESENT TO YOU TODAY A FRANK ASSESSMENT OF THE CONDITION OF THE VIRGIN ISLANDS AND A STRAIGHTFORWARD OUTLINE OF HIS PLANS TO GET THE VIRGIN ISLANDS' HOUSE IN ORDER.

WHILE THE SCOPE OF HIS PLANS IS BROAD, I CAN ASSURE YOU THAT HE HAS COME INTO OFFICE ON A WAVE OF TREMENDOUS GOODWILL AND SUPPORT BY THE PEOPLE OF THE U.S. VIRGIN ISLANDS. THEY WILL LISTEN TO ALEX BECAUSE THEY RESPECT HIM; THEY WILL FOLLOW HIM BECAUSE THEY KNOW HE RESPECTS THEM.

WHILE THE GOVERNOR WILL PRESENT HIS CASE FOR THE APPROPRIATIONS WE ARE SEEKING, I WOULD LIKE TO POINT OUT THAT WE ARE NOT ASKING FOR FUNDING FOR NEW PROJECTS. TO BRIEFLY REITERATE THE BUDGET RECOMMENDATIONS MADE WITH UNANIMOUS BIPARTISAN SUPPORT BY MY SUBCOMMITTEE ON INSULAR AND INTERNATIONAL AFFAIRS, AND ADOPTED BY THE FULL INTERIOR COMMITTEE:

> A LOAN OF $4 MILLION FOR CONTINUED IMPROVEMENTS TO THE ST. CROIX AIRPORT RUNWAY WHICH WILL BE REPAID FROM ENTITLEMENT FUNDS AND LANDING FEES;
>
> FULFILLMENT OF THE 1986 DRUG ACT'S COMMITMENT OF $4 MILLION FOR NARCOTICS INTERDICTION AND LOCAL ABUSE PROGRAMS;
>
> $500,000 IN TECHNICAL ASSISTANCE TO ENABLE THE TERRITORY TO MODERNIZE AND MANAGE ITS DATA SYSTEMS;
>
> APPROPRIATION OF THE AUTHORIZED $1.2 MILLION FOR THE TECHNICAL ASSISTANCE CAPABILITIES OF THE EASTERN CARIBBEAN CENTER;
>
> $2.4 MILLION, AS PROPOSED IN THE PRESIDENT'S BUDGET, TO CONTINUE LONG-OVERDUE AND URGENT WATER SYSTEM IMPROVEMENTS.

LET ME ALSO POINT OUT THAT THE INTERIOR COMMITTEE'S RECOMMENDATIONS ON THE TERRITORIES WERE SPECIFICALLY SUPPORTED AND ACCOMMODATED IN THE BUDGET COMMITTEE'S REPORT.

LAST FALL THE DRUG ENFORCEMENT, EDUCATION AND CONTROL ACT OF 1986 (PUBLIC LAW 99-570) AUTHORIZED SPECIAL ASSISTANCE TO HELP PUERTO RICO AND THE U.S. VIRGIN ISLANDS COMBAT NARCOTICS SMUGGLING ALONG THEIR THOUSANDS OF MILES OF OPEN COASTLINES, AND TO CURB THE ESCALATING PROBLEM OF DRUG ABUSE AMONG THEIR POPULATIONS, ESPECIALLY THEIR YOUNG POPULATIONS.

THE HOUSE OF REPRESENTATIVES VOTED THE FULL APPROPRIATIONS FOR BOTH PUERTO RICO ($7.8 MILLION) AND THE U.S. VIRGIN ISLANDS ($4 MILLION) LATE LAST YEAR. HOWEVER, WHEN THE CONTINUING RESOLUTION REACHED THE SENATE, THE VIRGIN ISLANDS LINE ITEM WAS, I NOW HAVE BEEN TOLD, INADVERTENTLY OMITTED. I SHOULD NOTE ALSO THAT THE REAGAN ADMINISTRATION DID NOT OBJECT TO THE $7.8 MILLION IN LINE ITEMS FOR PUERTO RICO OR THE $4 MILLION FOR THE VIRGIN ISLANDS.

IN THE AUTHORIZATION, $3 MILLION IS EARMARKED FOR ENFORCEMENT PERSONNEL, BOATS, A PLANE AND OTHER EQUIPMENT WHICH THE GOVERNOR WILL DETAIL IN HIS CAPABILITY STATEMENT, AND WHICH WILL ENABLE THE U.S. VIRGIN ISLANDS TO MORE EFFECTIVELY PATROL HER MULTITUDINOUS ISLANDS AND COASTLINES.

THE REMAINING $1 MILLION IS EARMARKED FOR LOCAL EDUCATION, PREVENTION AND TREATMENT PROGRAMS MORE APPROPRIATE TO OUR CULTURE AND TO OUR YOUNG PEOPLE IN PARTICULAR. WE HAVE ALREADY DEVELOPED LOCALLY CERTAIN HIGHLY SUCCESSFUL PROGRAMS, SUCH AS THE YOUTH MULTI-PURPOSE CENTER UNDER THE DIRECTORSHIP OF STEPHANIE SCOTT WILLIAMS. THIS IS A PROGRAM THAT WORKS IN GETTING YOUNG PEOPLE WITH PROBLEMS OFF THE STREET AND BACK INTO SCHOOL OR INTO A PAYING JOB. IT HAS BEEN FINANCIALLY SUPPORTED BY THE LOCAL GOVERNMENT AND THE COMMUNITY. ITS REACH CAN EASILY BE EXPANDED TO MORE YOUNG PEOPLE ON ALL THREE ISLANDS, WITH THE ADDED FINANCIAL ASSISTANCE OF THE FEDERAL GOVERNMENT.

I URGE YOUR SUPPORT FOR THIS APPROPRIATION. THE $4 MILLION WE SPEND NOW ON INTERDICTION AND PREVENTION MAY BE THE WISEST MONEY WE EVER SPENT. WE CANNOT LEAVE THIS GAPPING HOLE IN OUR RING OF DEFENSE AGAINST DRUGS AND NOT EXPECT THAT CRIMINAL ELEMENTS WILL QUICKLY MOVE IN TO TAKE FULL ADVANTAGE OF THIS OVERSIGHT. OUR LOCAL RESOURCES ARE STRETCHED TO THE LIMIT AND WE SIMPLY MUST HAVE THE ADDITIONAL HELP WE ARE ASKING.

ON THE ST. CROIX AIRPORT, TIME IS BECOMING AN INCREASINGLY IMPORTANT FACTOR, PARTICULARLY NOW, GIVEN THE IMMINENT BIRTH OF NEW LEGISLATION DESIGNED TO ENHANCE THE BENEFITS ALREADY EXTENDED

TO OUR NEIGHBORING COMPETITOR ISLANDS UNDER THE CARIBBEAN BASIN INITIATIVE.

THE ENGINEERING AND DESIGN STUDY ON EXTENDING THE RUNWAY TO 10,000 FEET, FOR WHICH CONGRESS APPROPRIATED $455,000 WILL BE COMPLETED WITHIN A WEEK. ON MONDAY, GOVERNOR FARRELLY WILL MEET WITH F.A.A. AND O.T.I.A. OFFICIALS ON THE RELEASE OF THE INITIAL $2 MILLION INSTALLMENT ON THE CONSTRUCTION LOAN WHICH CONGRESS APPROPRIATED LAST FISCAL YEAR. WE ARE SEEKING ANOTHER $ 4 MILLION UP FRONT LOAN THIS YEAR TO EXPEDITE THE CONSTRUCTION, WHICH I UNDERSTAND COULD BE COMPLETED WITHIN 18 MONTHS AT A TOTAL COST OF $10 TO $12 MILLION. THE U.S. VIRGIN ISLANDS PLANS TO AMORTIZE THE LOAN THROUGH ITS ANNUAL F.A.A. (A.I.P.) ENTITLEMENT FUNDS AND THROUGH LANDING FEE COLLECTIONS.

THIS IS AN EXTREMELY IMPORTANT PROJECT TO THE ECONOMIC FUTURE OF ST. CROIX WHICH HAS BEEN HARD HIT BY THE CLOSURE OF THE MARTIN MARIETTA MANUFACTURING PLANT TWO YEARS AGO, AND THE LARGE NUMBER OF LAYOFFS AT THE HESS OIL REFINERY DUE TO THE DROP IN OIL PRICES. EXPANSION OF TOURISM ON ST. CROIX IS TO A LARGE EXTENT PREDICATED ON TAPPING INTO THE LUCRATIVE WEST COAST AND EUROPEAN MARKETS. DIRECT FLIGHTS ARE THE KEY, AND WE CANNOT OFFER THAT UNLESS THE RUNWAY IS EXTENDED FROM ITS CURRENT LENGTH OF 7600 FEET (SIMILAR TO NATIONAL AIRPORT) TO 10,000 FEET, SUCH AS RUNWAYS ON OUR COMPETING ISLANDS OF MARTINIQUE, GUADALOPE, ANTIGUA AND EVEN GRENDADA, TO NAME A FEW. WE CANNOT DO THIS UNLESS WE HAVE A TEN THOUSAND FOOT RUNWAY.

THE GOVERNOR WILL ALSO DESCRIBE HIS REQUESTS FOR ADDITIONAL TECHNICAL ASSISTANCE MONEY, PRIMARILY FOR COMPUTERS, INTERGOVERNMENTAL PERSONNEL EXCHANGES, EQUIPMENT, AND OTHER TOOLS HE MUST HAVE TO PUT THE VIRGIN ISLANDS' HOUSE IN ORDER. I JOIN HIM IN SUPPORTING APPROPRIATION OF THE $2.4 MILLION, AS PROPOSED BY THE PRESIDENT, FOR THE ONGOING PROGRAM TO REPLACE BADLY DETERIORATED WATER SYSTEMS, AND $1.2 MILLION FOR CONTINUED SUPPORT FOR THE ESTABLISHMENT OF AN EASTERN CARIBBEAN CENTER AT THE UNIVERSITY OF THE VIRGIN ISLANDS. THIS, TOO, BECOMES INCREASINGLY IMPORTANT, TO THE UNITED STATES AS WELL AS OUR ISLANDS, AS MORE ATTENTION IS DIRECTED TO THE ISLANDS OF THE EASTERN CARIBBEAN AND TO AMENDMENTS TO THE CARIBBEAN BASIN INITIATIVE POLICY.

I THANK YOU, MR. CHAIRMAN, FOR THIS OPPORTUNITY TO TESTIFY BEFORE YOUR SUBCOMMITTEE.

STATEMENT OF ALEXANDER FARRELLY

Governor FARRELLY. Good morning, Mr. Chairman.

I welcome the opportunity to appear before you and the committee.

I would like to begin by telling you not what we want you to do for us but what we intend to do for ourselves. We inherited in January of this year a government that was a financial mess and so we immediately moved to put our house in order by proposing the following:

Elimination of an accounting charade of overstating revenues and understating obligations; a sweeping reorganization of government, consolidating 28 departments, bureaus, and agencies into 15; increased taxes by imposition of a 10-percent surcharge and individual income tax; elimination of costly local holidays; accelerated collection of property taxes; expanded collection of existing taxes; and elimination of binding arbitration awards for government unions, a practice which has already added $33 million to our budget.

You don't win popularity contests on that basis, but we intend to put our house in order. So why am I here? It's not to ask you for Federal grants to bail us out, but simply to ask you to support programs already authorized and partially funded.

You have something that we need more valuable than Federal dollars. You have experienced and skilled technicians. We are asking that you provide us with those technicians so that training courses can take place in the territory where it would be more cost effective than to send our agents up to the States.

We are simply asking that we be given an opportunity to learn how to fish rather than the ~~Federal Gover~~nment giving us fish.

INTERGOVERNMENTAL PERSONNEL ACT

The Intergovernmental Personnel Act provides a ready basis for the program of training, one that we feel should be heavily used to help us gain the training our people need to be more effective in their jobs.

One Treasury enforcement employee on a 4- or 6-month IPA assignment to the Virgin Islands could train numerous Virgin Islands employees and provide a valuable resource for our efforts to improve the operation of the government.

A financial management improvement program is already underway in the Virgin Islands with Federal financial help. Its success is essential if we are to restore our fiscal credibility. I, therefore, fully support the funding level for technical assistance to the territories as recommended by the Interior Committee. For the Virgin Islands specifically, I propose $500,000 to be used for the expansion and acceleration of our financial management improvement system.

There is another area of impact on the territory that requires our acting in partnership with the Federal Government—drug trafficking. Our budget is in our full statement but I might add my own experience. As an assistant U.S. attorney, it was my experience that when undercover agents were used, the success rate of convictions was 90 percent of the cases charged. I think that speaks for itself and would, therefore, bring that to your attention to give us the help in that area that we can get for ourselves, rather than DEA or the U.S. Department of Justice.

There is another area in which we must act as partners. In fact, the Virgin Islands Government provides a unique service to the United States when it comes to communication with our Eastern Caribbean neighbors. We have friends down island. We have friends in the States. We are indeed a conduit between the diverse cultures of our friends.

Our opportunity to assist in these Caribbean relations has never been better. So the Eastern Caribbean Center already authorized should be funded with the $1.2 million so that it would become, in the words of John Kennedy, "a showcase of American democracy, education, and training."

Our water distribution system is already in place. We ask for the additional funding so that the extensions, storage, and pumping capabilities can be enshrined.

Finally, I know you are aware of our efforts to improve and lengthen the runway at the St. Croix airport. The committee funded planning in 1986 and loaned us $2 million last year for construction. The Interior Committee has recommended $4 million for this project in fiscal year 1988. I have submitted to the committee for this and other items the justification of the proposal.

PREPARED STATEMENT

I hope my testimony today has been helpful to you in your consideration of the Federal appropriations for the Department of the Interior and the territories. I look forward to testifying before you again next year when I can report to you on the progress which I know we will make in the Virgin Islands. Thank you.

[The statement follows:]

STATEMENT OF ALEXANDER FARRELLY

Mr. Chairman and Members of the Committee. It is an honor and a privilege to appear before you today. As the newly-elected Governor of the Virgin Islands, I ask for this opportunity to testify on the 1988 budget request for the Territory.

I would like to begin my testimony by talking, not about what the Federal Government can do for us, but by talking about what the Virgin Islands is going to do for itself; what it must do for itself.

The people of the Virgin Islands know the score. And they know I know the score. They heard me spell it out in the campaign and again in my State of the Territory address. The Government of the Virgin Islands is in a deplorable state. It is $80 million in debt. It cannot run programs or deliver services with credibility, much less efficiency. In short, it's a mess.

Repeatedly, Federal Inspectors General have warned that federal dollars will be cut off if the Virgin Islands doesn't shape up. "Enough is enough", you are saying and I believe you. You aren't going to put up with the mess any longer and neither am I. I did not get elected in order to preside over a bankrupt government -- not bankrupt in funds nor bankrupt in credibility. The people and the Government of the Virgin Islands have a difficult task -- perhaps the most difficult we have ever faced -- to put our house in order. But we have begun.

Let me summarize what steps I have already proposed:

1) elimination of the accounting charade of overstating revenues and understating expenses;
2) a sweeping reorganization of government, consolidating 28 departments, bureaus and agencies into 15;
3) increased taxes, including the bitter pill of a 10% surcharge on individual income tax;
4) elimination of costly local holidays;
5) accelerated collection of property taxes;
6) expanded collection efforts for existing taxes; and
7) elimination of binding arbitration awards for government unions -- a practice which has already added $33 million to the debt.

Mr. Chairman, you don't win popularity contests on that kind of platform. It is tough medicine. But I believe the people of the Virgin Islands know it is medicine they must now take. They are proud and confident of their future. They have faith in this new Administration. They trust us to turn things around.

You can see that we have made a start. Our intentions are clear. Our hopes high.

So why am I here? It is not to ask you for federal grants to bail us out. That has been done year after year and it has not worked. It fosters dependency when what is needed is a partnership for responsible management. I came before you to support programs already authorized and partially funded which are in the spirit of that partnership. I am not recommending any new programs.

Mr. Chairman, you have something I need that's more valuable than federal dollars. You have experienced and skilled people trained in the most modern techniques of accounting and fiscal management. You have people who know their way around a computer. You have people who know what they want in an audit report and how they want it.

I am required by federal law to submit to the Congress and the Secretary of the Interior a comprehensive annual financial report in conformance with the standards of the National Council of Governmental Accounting. I am required to submit this report each year within 120 days of the close of the fiscal year. It is a reasonable request of the Congress. I want to provide you with this information.

The problem is a system of Government in the Virgin Islands that has never operated in conformance with the standards of the National Council of Governmental Accounting. Not because our accountants do not want to comply. Very few people in the Virgin Islands are deliberately avoiding federal audit standards (and the few that are will not be a part of my Administration). But my people need training and equipment. We do not want you to do our work for us, but show us how you want us to do our work. In short, don't give us a fish, but teach us how to fish.

It is very expensive and not very effective for us to send our employees to the mainland, one by one. What would be far more effective would be to have people with needed expertise from the federal government sent down to help train our people in the Virgin Islands.

The Intergovernmental Personnel Act provides a ready basis for such a program and one that we feel should be heavily used to help us gain the training our people need to be more effective in their jobs. One Treasury enforcement employee on a four- or six-month IPA assignment to the Virgin Islands could train numerous Virgin Islands employees and provide a valuable resource for our efforts to improve the operation of the government. I would appreciate your assistance in encouraging departments and agencies to cooperate in such an endeavor.

A financial management improvement program is already underway in the Virgin Islands with federal financial help. Its success is essential if we are to restore our fiscal credibility. Right now the system includes two pilot programs in two departments. It must be expanded. The installation of computers, acquisition of software, integration of the system between all departments, as well as training of personnel must be accelerated. I therefore fully support the funding level for technical assistance to the territories as recommended by the Interior Committee. For the Virgin Islands specifically, I propose $500,000 be used for the expansion and acceleration of our financial management improvement system. Let me do the job of accounting you expect me to do, and do it on time.

There is another area of impact on the Territory that requires our acting in partnership with the Federal Government: drug trafficking. We are part of the outer perimeter of the nation's defense against this immense criminal activity. As you know, $4 million has already been authorized to beef up enforcement and to address and treat drug abuse in the Virgin Islands. I don't think there's any question that when drug barons use our islands for illegal transhipments to the States debris from their trade falls on our streets and gets into the hands of our kids. I am grateful to the Congress for authorizing funds in recognition of the impact this problem has in the Virgin Islands. It is our problem, the Federal Government's and the Territory's. I support funding authorizations that will help us address that problem.

There is another area in which we must act as partners. In fact, the Virgin Islands can provide a unique service to the United States. When it comes to communication and friendship between U.S. citizens and the citizens of the nations of the Caribbean -- well, we speak their language. Much of our history, ancestry, and customs are tied to our Caribbean neighbors. We have friends "down island". We have friends in the States. We are a true conduit between the diverse cultures of our friends.

Our opportunity to assist in these Caribbean relations has never been better presented than through the Eastern Caribbean Center which is already authorized for the University of the Virgin Islands. This Center will provide vital training for the people of the Virgin Islands and contribute to our ability to attract new businesses. In addition, this center attracts students from the entire Caribbean region. With your support, the University, the Center, and the Caribbean Research Institute can become John F. Kennedy's showcase of American democracy, education and training in the Caribbean.

Mr. Chairman, another on-going partnership between the Virgin Islands and the Federal Government is the commitment to improving the water distribution system. When the local government could not carry the load, the Federal Government stepped in to get the improvements going. This year, the Department of Interior has proposed funding $2.4 million of the $10 million authorized for capitol improvements to our water system. I am grateful to the Administration for this support and to the Committee for previous funding of this authorization. I hope this is a partnership you can continue to fund.

Finally, I know you are aware of our efforts to improve and lengthen the runway at the St. Croix Airport. The Committee funded planning in 1986 and loaned us $2 million last year for construction. The Interior Committee has recommended $4 million for this project in FY 1988. I have submitted to the Committee for this and other items in this testimony, a detailed statement of the proposal. I support the Interior Committee's recommendations.

I hope my testimony has been helpful to you in your consideration of the Federal appropriations for the Department of Interior and the territories. I look forward to testifying before you again next year when I can report to you on the progress made in the Virgin Islands. We can succeed. We can succeed as partners in those areas where our special relationship requires our partnership. We will succeed as a Territory where we can and will take responsibility for our own government, its policies and programs.

The people of the Virgin Islands, their Governor and their Senators have a difficult job to do. I did not come here to ask you to bail us out and I have not asked you to do so. We will attempt to balance our budget without a bailout from the Federal Government. We will increase taxes and broaden the tax base because we no longer look to the Federal Government for operating revenues. We will put our house in order because it is our house. We are proud of it. And we are proud of a new sense of responsibility over and for our own affairs. On the Virgin Islands Farrelly Freedom Express, to use some symbolism, there are only first-class seats. And nobody rides for free.

Thank you for your help in the past. Thank you for your help in the future and for your continued partnership in areas appropriate to that partnership. And finally, thanks for helping us to help ourselves.

BIOGRAPHY OF ALEXANDER FARRELLY

Alexander A. Farrelly is the fourth elected Governor of the United States Virgin Islands and the first Democrat to be elected to the office. He was inaugurated on January 5, 1987.

Governor Farrelly has served in all three branches of the Virgin Islands Government. In 1965, he was appointed to a judgeship in the Municipal Court of the Virgin Islands (now the Territorial Court). He stepped down from the Court in 1966 to run for a Senator-at-Large seat in the Virgin Islands Legislature. He was re-elected to a second term in 1968 to represent the District of St. Thomas-St. John. During his two terms in the Senate, he chaired the Committees on the Judiciary and Education, Labor and Veterans' Affairs and was Vice-Chairman of the Committee on Agriculture, Recreation and Property.

Governor Farrelly holds a Bachelor of Arts degree in History and Government from St. John's College in New York City, a Bachelor of Laws Degree from St. John's University Law School, and a Master of Laws Degree, specializing in labor law, from Yale University.

He was a practicing attorney in New York City from 1955 to 1959 until his appointment to the professional staff of the United Nations as a Caribbean Specialist. After his graduation from Yale Law School in 1961, he served as Assistant U.S. Attorney for the District of the Virgin Islands until his appointment to the Municipal Court.

Prior to his election to the Governorship, Farrelly was a partner in the firm of Birch, Maduro, deJongh & Farrelly of St. Thomas where he was the firm's principal litigator.

Governor Farrelly has served as the Democratic National Committeeman for the Virgin Islands for the past ten years. He was President of the Virgin Islands Third Constitutional Convention in 1977 and General Counsel to the Fourth Constitutional Convention in 1980.

Farrelly is a widower and has three children -- Velma, Richard, and Allyson. A fourth child, Steven, died in a drowning accident in 1975 at the age of 17.

CAPABILITY STATEMENT

Agency/Bureau:	Department of Interior/Territorial and International Affairs
Fiscal Year:	1988
Appropriations:	Administration of the Territories
Activity/Subactivity:	Virgin Islands/Technical Assistance
Proposed Amendment:	$1,200,000 for Eastern Caribbean Center at the University of the Virgin Islands
Current Program:	During the past 18 months the Eastern Caribbean Center has hosted and/or sponsored workshops, conferences and seminars in areas such as small business development, tourism, criminal justice, coastal resource management, telecommunications, teacher training, and agriculture. These activities have

	provided a forum for addressing problems in the region and have underscored the leadership position of the Virgin Islands and the University in the Eastern Caribbean.
Amount Budgeted, FY 1988:	none
Feasibility:	This funding will provide planning and development and establish pilot and demonstration projects in four areas: agriculture and natural resources, critical needs, cultural and scientific exchange, and telecommunications.
Capability:	Specific agricultural programs under which funding will be expended are: crop production, animal science, aquaculture, soil and water engineering, power machinery, and environmental research. Some programs under critical needs are: workshops, institutes and instructional programs in youth development, home economics, nursing, criminal justice financial management, tourism training, small business developments, and health care. Cultural and scientific exchange will include: internships, faculty and student exchange, publications and collaboration with regional and international organizations. Telecommunications will cover: distance teaching, teleconferencing, telecommunications training, network development and research. Funding for these programs will be allocated as follows: - Personnel, consulting and contracting services -- $541,000; - Conferences, workshops, and publications -- $290,000; - Operating expenses -- $102,000; - Equipment -- $67,000; - Travel -- $100,000; - Overhead/Indirect cost -- $100,000;
Outlay Effect:	FY 1988: $1.2 million. Coordination and planning requirements will require that funds remain available until expended.

Agency/ Bureau:	Department of Interior/Territorial and International Affairs
Fiscal Year:	1988
Appropriations:	Administration of Territories
Activity/Subactivity:	Virgin Islands Technical Assistance
Propsed Amendment:	$500,000 for continued implementation of the Financial Management Improvement System

Current Program: This program, which calls for a complete revamping of our financial management system, has been extended to five pilot agencies. The status of current improvements is divided into five phases: Preliminary planning and training, systems planning, proceedures development, implementation planning, and pilot testing. The entire system will address our needs for: financial accounting, management accounting, purchasing and accounts payable, budget preparation and presentation, payroll/personnel, utility billing and collections, miscellaneous billing and accounts receivable, fixed asset record management, and inventory management.

Amount Budgeted, FY 1988 None

Feasibility: The sixth phase of this project is titled "System Startup" and involves mainstreaming all executive departments and agencies on to the new system. Software, hardware, and training requirements for the implementation of Phase Six are estimated at $500,000. Integral to the funding and success of this phase will be the adaptation of telecommunications hardware as a vital link.

Capability: If approved, this funding will cover government-wide training, establishment of local area networks and, in simple terms, solidify advances made to date during the first five phases. One of the main end results of Phase Six will be the production of financial reports and statements in conformity with generally accepted accounting principles (GAAP).

Outlay Effect: Fiscal Year 1988 -- $500,00. This program represents a top priority towards improving financial management and a means of ensuring compliance with reporting requirements of all federal granter agencies.

Agency/Bureau: Department of Interior/Territorial and International Affairs

Fiscal Year: 1988

Appropriation: Administration of Territories

Activity/Subactivity: Virgin Islands/Construction Loans

Proposed Amendment: None

Feasibility: The purpose of this expansion is to provide a sufficiently long runway in the Virgin Islands airport system to be capable of accommodating long-haul and

Trans-Atlantic flights to and from Europe and South America. To effectively exploit travel markets, air service must be provided to destinations beyond the United States' eastern seaboard. This project will extend the existing 7,600 foot runway to 10,000 feet. This project is considered a top priority towards expanding our market share of Caribbean-destined travelers.

Capability:	While the total cost of this project is $10 million, it will be divided into three phases with the following applications: - 1st year: site preparation and installation of drainage structures and utilities -- $3.5 million; - 2nd year: paving of runway and taxiway -- $5 million; - 3rd year: installation of navigation aids and runway lights -- $1.5 million. TOTAL: $10 MILLION: The first year of construction can commence as soon as the previously authorized $2.0 million is released. This request for $4.0 million will ensure that 70% of construction related to phases 1 and 2 can be completed by the end of calender year 1988. The Territory is willing to dedicate specific receipts under the Caribbean Basin Economic Recovery Act (P.L. 98-67) as the primary source of repayment for the full $10 million loan. The Government is in a position, based on historical receipts, to repay this loan over ten years at $1 million per year, with the first payment due in Fiscal Year 1988.
Outlay Effect:	FY 1988: $4 million
Agency/Bureau:	Department of Interior/Territorial and International Affairs
Fiscal Year:	1988
Appropriation:	Administration of Territories
Activity/Subactivity:	Virgin Islands Technical Assistance
Proposed Amendment:	None
Current Program:	None
Amount Budgeted, FY 1988	None
Feasibility:	This proposed funding of $4 million would provide the Narcotics Strike Force (NSF) with the capacity of increasing surveillance of the Territory's shoreline and interior terrain. At

present, the NSF ability to impact on the drug problem in the Territory is limited to street activities. The Force is unable to effectively impact on the narcotics trade which tranships millions of dollars in drugs monthly. To effectively operate primary prevention and elimination programs and meet the needs of treatment and rehabilitation of drug offenders requires funding that the Territory is unable to provide at this time.

Capability:

Funds will be used to target high and mid-level drug traffickers and distributors by expanding the enforcement capability of the Territory's existing Strike Force. Purchase of a light plane and three patrol boats will permit surveillance of the hundreds of miles of coastlines and the thousands of boats and planes which pass through the Territory annually as well as assist ground-based operations. Monies will be applied to the following areas:

(1) Three (3) patrol boats: $500,000;
(2) One (1) light aircraft: $300,000;
(3) Two (2) 4x4 vehicles (radio equipped): $40,000;
(4) Assorted weapons (including fixed weapons for patrol boats: $20,000;
(5) Undercover funds: $1,000,000;
(6) Ten (10) new agents (3-year funding): $642,000;
(7) One (1) pilot and captain (3-year funding): $141,600;
(8) Training: $200,000;
(9) Administration expenses: $156,400.

Treatment and Rehabilitation:

The Department of Health would have increased capability to provide in-patient and out-patient treatment services to single and poly-drug abusers. The DOH would also be able to establish on-site treatment services within the adult correctional facilities, thereby reducing risk factors and costs associated with transporting prisoners on and off-island. The DOH would also have limited capability to coordinate post-treatment (rehabilitation) services with vocational education programs in the Territory. $500,000

Testing

The ability to assess the extent of drug abuse among persons who come into contact with the criminal justice system is presently non-existent. The establishment of a drug-testing laboratory which would administer drug tests to all arrestees in the pretrial phase would significantly increase enforcement and treatment intelligence on drug abuse. The lab would provide timely information to court judges on a 24-hour basis. An additional function of the laboratory would be to administer tests to persons who are employed in sensitive positions, i.e., police corrections officers, narcotics investigators, etc. $300,000

Education

The Department of Education would play a major role in developing an aggressive pro-active anti-drug campaign. DOE would focus on primary prevention and in-school programs which offer young people an alternative to drug use. $200,000

Outlay Effect:

Enforcement

FY 1988:	Equipment	$ 860,000
	Undercover costs	$1,000,000
	New Personnel	$ 261,000
	Training	$ 100,000
	Administrative Expenses	$ 53,000
	Total	$2,274,200
FY 1989:	New Personnel	$ 261,200
	Training	$ 100,000
	Administrative Expenses	$ 51,400
	Total	$ 312,600
Total Enforcement		$3,000,000

Treatment, Rehabilitation & Testing

FY 1988	$ 332,000
FY 1989	$ 332,000
FY 1990	$ 336,000
Total	$1,000,000

CORRECTING THE VIRGIN ISLANDS' PROBLEMS

Senator JOHNSTON. Well, thank you very much, Governor Farrelly. This committee has been urging the Virgin Islands over a period of years to do some of the things that you are now in the process of doing—consolidations, additional taxes, bringing the level of tax collections up through expertise with your tax collectors. In general, I find a great deal to praise in what you are doing and I think we need to make special efforts here to reward good action. I mean, we do not want to see you get down there and take all these tough actions and then have the Congress not respond.

Having said that, let me ask you a couple of questions.

ST. CROIX RUNWAY

First of all, on the runway at St. Croix—and by the way, I think air travel and completion of runways at St. Croix and at St. Thomas are both keys to an explosion of development, you are going to have to really challenge all your skills to handle the additional pressure when we get the air facilities in place. The pressure is going to come from tourists who want to fly the American flag and the U.S. Virgin Islands—and I hope so because it is a great place to visit.

But the administration says that other financial options are open to you in the lengthening of the St. Croix airstrip. Have you examined those with the administration? Have you spoken to them about that?

Governor FARRELLY. I have not, Senator.

Senator JOHNSTON. You do not know what they have in mind, do you? I think they are speaking of local bonding.

Do you know, Ron?

Mr. DE LUGO. If the governor will yield, Senator, they have not presented any proposal to us, the FAA. The governor has a meeting scheduled with the FAA on Monday, but so far we have not heard any concrete proposal from the FAA and we have not seen any other approach to this other than the one we are presently taking and have been pursuing for some time.

Senator JOHNSTON. Would you followup on that and give us a report on what they say because we want to do it in the best and least expensive way? We want to see the project completed.

HOUSE BUDGET RESOLUTION

Mr. DE LUGO. We will do that. I will get back to you next week after the meeting with the FAA.

Let me point out something, a point that I failed to make in my testimony, Mr. Chairman, that the administration of territories recommendations that came out of the Interior Committee on the House side were specifically accommodated in the House-passed budget.

Senator JOHNSTON. Say that again, please.

Mr. DE LUGO. All of the requests that we are making were specifically accommodated in the House-passed budget so it's in the House-passed budget.

Senator JOHNSTON. So you have the $2.4 million for the water projects; you have the $500,000 for the financial management assistance. How about the $4 million for the drug enforcement package?

Mr. DE LUGO. We have that in there as well.

Senator JOHNSTON. And you have $4 million for the St. Croix airport.

Mr. DE LUGO. That, of course, is in the budget. All of that is in the budget. Now we're facing the appropriations process.

Senator JOHNSTON. OK. That is obviously not in the supplemental.

Mr. DE LUGO. No; it is not.

Senator JOHNSTON. Is it in the budget resolution?

Mr. DE LUGO. You're talking about the budget resolution?

Senator JOHNSTON. The budget resolution, right. There is quite a step from there to here.

Mr. DE LUGO. That's for sure, but any little step helps you know.

Senator JOHNSTON. Well, I think that drug enforcement package which was cut at the last minute last year is a very important thing for the Virgin Islands. I know the pressure you have been under. I think the last time I read there was a famous drug runner from Shreveport, LA, who was caught down in St. Thomas. Shreveport, as you know, is my home town. So we want to be sure those people are caught in St. Thomas and don't get through the sieve.

Well, governor, we are going to try to accommodate you as best we can because, as I say, I think these are real needs and we want to encourage the good work which you have done down there. So we are certainly going to do the best we can and we look forward, Ron, to a report from you on what the Federal authorities say on the lengthening of the runway.

Mr. DE LUGO. We appreciate your efforts, Mr. Chairman.

Senator JOHNSTON. Thank you very much, governor. It is a real pleasure to have you here. Ron, it is nice to have you.

AMERICAN SAMOA

STATEMENT OF HON. A.P. LUTALI, GOVERNOR

ACCOMPANIED BY:

LETULI TOLOA, PRESIDENT OF THE SENATE
TUANA'ITAU F. TUIA, SPEAKER OF THE HOUSE
TUIOLOFEGA TAGALOA, SENATOR
MELOMA F. AFUOLA, BUDGET DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator JOHNSTON. Next, we are pleased to have our friends from American Samoa, Governor A.P. Lutali and the speaker of the legislature, F. Tuia.

I understand Congressman Sunia is on other business and will be unable to attend. Please give him our best. Please proceed, governor.

Governor LUTALI. Mr. Chairman, first, I'd like to introduce my colleagues. On my right, the speaker of the house; next to him is Senate president Letuli; and Senator Tagaloa; and on my left is the Budget Director.

Senator JOHNSTON. We are very pleased to have all of you here.

AMERICAN SAMOA FINANCIAL CONDITION

Governor LUTALI. It's a pleasure to be here this morning.

I come before you, Mr. Chairman, this year with deep concern over American Samoa's immediate financial condition because you have before you information which details how it came to pass that we considerably overstated our projected revenues for 1987 and 1988. Please allow me to make a few general comments on the matter before we respond to your questions.

Over the last several years we have struggled to balance our budget and at the same time take the steps we believe necessary to become more financially self-sufficient. We have adopted a 2-percent sales tax, despite extreme public opposition.

We have worked diligently to improve local revenue collections. We have recently instituted a tax on miscellaneous fish, despite strong industry protests. I have directed a complete review of all user fees and will soon be submitting to our legislature bills to raise the corporate income tax and institute some form of gross receipt tax.

We are a forerunner in the privatization of government functions. We have aggressively pursued regional trade missions in the hope of attracting investment to Samoa and we are acting decisively to upgrade our basic infrastructure to meet the growing needs of our people and to offer a more conducive environment to investors and tourists alike.

While doing all this, we are for the first time in a decade trying to be more responsive to the growing demands of our community. During the late seventies and early eighties, there was very little increase in the level of service delivery to the public, yet our population grew from 29,700 in 1975 to 35,600 in 1985. During this same period, our school enrollment swelled by close to 15 percent, while the number of classrooms and teachers remained relatively constant.

We know our limited resources are being effectively utilized to meet these demands. For example, almost one-third of the increase in public school enrollment this year was transfer students from private schools into the public system, a rarity I suspect in most of this country.

ADVERSE EXTERNAL FACTORS

As pleased as I am with the state of our political, social, and economic development, I am saddened that we must constantly operate in the midst of forces beyond our control, forces which hold us back from any meaningful forward movement in our drive for greater economic self-sufficiency.

In fiscal 1986, our financial assistance was reduced $1.9 million by Gramm-Rudman. In fiscal 1987, the Tax Reform Act will reduce our individual income tax levels by over $1 million. In fiscal 1988, it will also impact corporate tax revenues. And the situation will be considerably worse.

While Congress and the administration debated the fine points of the Tax Reform Act, we were fighting just to retain section 936, the primary tax incentive that brought the tuna industries to American Samoa. When the Nation considers trade barriers, we fight not to be classified as a foreign nation as we were in last year's bill.

While you consider raising the minimum wage, we fight and we are still fighting to prevent the Department of Labor from raising it to a level in American Samoa that last year threatened to drive out the tuna industry and absolutely devastated our economy.

CYCLONE DAMAGE

While we are talking about circumstances beyond our control, in January of this year, as you probably know, four islands of American Samoa were devastated by Cyclone Tucy. All the homes, the churches, the school buildings, the forests were completely demolished. Then last month another cyclone visited and all the temporary homes and schools and everything we tried to build to bring our people back to their normal lives was again destroyed by this last hurricane.

Needless to say, Mr. Chairman, all this places us in a precarious position when it comes to forecasting the future. In past years, some of you have criticized American Samoa for, in your opinion, deliberately understating the projected revenues. Consequently, for fiscal 1987 and 1988, our government attempted to place a more positive light upon our revenue stream and take those steps necessary to make our economy and our future more certain.

Given the dramatic increase in our population, 20 percent in 10 years, we had no other choice if we were to attempt to move forward in today's world. I believe we are now on our way and that our future is bright. For the future of American Samoa to remain so bright, however, your understanding and assistance is needed for both 1987 and 1988. We are not asking you to shoulder the entire burden. In fact, we will be assuming a major share of the efforts as a result of steps we have taken to rein in certain costs of government for the people out there, the needs out there, and it's certainly my intent to try to meet those needs to the best of our ability.

PREPARED STATEMENTS

In 1988, the reinstatement of the funds OMB slashed and our own efforts to control costs, we will be able to meet the growing needs of our community while at the same time balance our budget. We must, however, have your help in 1987 to approve the budget supplemental we have requested because of circumstances, as I said, beyond our control. Without it, I fear the result will be to reverse the progress of recent years.

I thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF A.P. LUTALI

As you are aware, the American Samoa Government has been struggling over the past several years to balance its annual budget while at the same time become more financially self-sufficient.

To that end, we have adopted a 2% sales tax over considerable local opposition and worked diligently at the collection of local revenues including local electric, water, and telephone accounts. We have raised or instituted certain user charges. We have been the forerunner in the Pacific in the privatization of governmental functions. We have aggressively pursued regional trade missions in the hope of attracting outside investments to American Samoa to generate additional revenues and job opportunities. Overall, we have moved forward in improving and developing our islands to meet the growing needs of our people and to offer a more conducive environment to investors and tourists alike.

Despite our progress, we continue to require annual financial assistance from the United States in the form of operations and capital improvement project funding, $20.8 million and $2.7 million, respectively, in FY87. It is our fondest hope to one day be able to fund our government operations without the assistance of Congress and the President.

As pleased as I am with the state of our political and economic development, it is necessary that I write to acquaint you with an immediate and serious problem facing the American Samoa Government. As you know, the government seriously overstated its projected revenue stream for FY87 and '88. The magnitude of the problem was not fully realized until January of this year, our figures for both years having passed through Department of the Interior without being questioned. In February, the House Insular and International Affairs Subcommittee and the full Committee on Interior and Insular Affairs authorized the reinstatement of some $5.6 million of operations funding which had been slashed from the President's FY88 budget by OMB in reliance upon our over-projected revenues. We believe that with your committee concurring to the reinstatement of this funding we will be able to balance the books in FY88.

We have now in the last month had the opportunity to focus our attention on FY87. We are writing now to seek your assistance in approving an FY87 supplemental appropriation of $3.5 million in operations funding. We fully recognize this to be an extraordinary request, and it is one we do not propose lightly. Without your assistance, however, the impacts upon the American Samoa Government, the people, and the economy of the territory will be considerable.

Before detailing the enormity of our concerns it is important that you recognize the basis for our misprojections of revenue in both FY87 and '88. Two key factors compromised our position: (1) the Tax Reform

Act of 1986 which is clearly not revenue neutral as to ASG; and, (2) the tuna cannery audit settlements which were included in the projected revenue stream but should not have been.

The Tax Reform Act is not revenue neutral because our generally low income, large family, individual taxpayers will have the benefit of an increased standard deduction; American Samoa, as a "one industry town," does not have a diversified corporate tax base against which to apply the myriad of tax amendments.

The inclusion of tuna cannery audit settlements in the income stream resulted from incorrect assumptions. The tuna canneries (specifically one cannery, Samoa Packing Company ("Van Camp" tradename)) paid to the government sizeable tax settlements during FY84, '85, and '86, in the amounts of $11 million, $4 million, and $5 million, respectively. The sum $5 million was projected as part of the regular revenue stream for both FY87 and '88. In neither case should this have occurred. In reality the government will probably receive only $3 million in an audit settlement for FY87, and none whatsoever in FY88.

The changes in revenue forecasts for FY87 and '88 are summarized in the attached document entitled "FY88 Amendments To Revenue Projections" which was prepared in February of this year and submitted to your staff in anticipation of the FY88 appropriations hearings later this month. The information therein includes that pertaining our FY87 position, excluding the recently discovered $2 million shortfall in projected FY87 audit settlements.

Following is the action we are taking in FY87 to bring our budget more closely into balance:

PROPOSED BUDGET CONTROL MEASURES
FISCAL YEAR 1987

FY87 PROJECTED REVENUE SHORTFALL		($9,774,500)
REDUCTION IN ASG BASIC OPERATIONS	1,000,000	
DEFERMENT OF SPECIAL PROGRAMS:		
- Training Program ($20K Approp).	45,000	
- Youth Development Pgm. (200 K Approp).	195,000	
- Incentive Award Pgm. ($50 Approp).	50,000	
DEFER STABILIZATION REIMBURSEMENT	500,000	
TOTAL REDUCTION FROM FY 1987 LOCAL APPROPRIATION	$1,790,000	

ADVANCE FROM COMMUNICATION ENTERPRISE	1,000,000	
LOAN FROM RETIREMENT FUND	1,000,000	
TOTAL REDUCTION/TRANSFER/LOAN	$3,790,000	
PROPOSED FY 1987 SUPPLEMENTAL SUBMISSION TO DOI	3,500,000	
TOTAL FY87 CONTROL MEASURES	7,290,000	$7,290,000
NET VARIANCE:		($2,484,500)

While this will not fully resolve the problem, it does bring us closer in line with what our Treasury can absorb. The budget reduction has reduced all agencies to the minimum. Much of the overall growth in government in the last few years has been concentrated in areas that were sorely neglected; notably, education, health, and public safety. With your assistance my administration has spent almost $2.3 million on new classroom construction. These new classrooms however are not of much use without teachers to teach in them.

In recent years our territory has done much to improve our opportunities for eventual economic self-sufficiency. Major infrastructure improvements are now in progress. The quality of education is on the upswing. The island is cleaner and more beautiful than it has been since the Navy left in 1956. The economy is, by and large, strengthening through a greater degree of diversification and entrepenuership.

Concurrently, the government is continuing to strengthen its financial base. I have recently signed into law a bill to tax the export of miscellaneous unprocessed fish. In July we will propose a business gross receipts tax and a corporate tax amendment designed to recoup the losses we suffered because of the Tax Reform Act, but we cannot be sure of their passage in our Legislature. User fees are also being reexamined. None of these steps, however, will give us any practical relief until FY88.

The question may logically arise as to why the government does not institute a broad based reduction in force (RIF) to address our current woes. We have looked at this issue closely and determined that to do so would be detrimental to the overall health of our economy. Over 40% of the islands' workforce is employed by ASG, and any substantial, effective RIF may impact up to 500 people.

American Samoa has no safety net of social service programs to absorb layoffs of this scope. The territory has chosen not to participate in welfare programs. Neither do we have an unemployment insurance scheme. Many of our people stretch their financial capacities to the limit. We can expect decreased disposable income, decreased business activity, decreased revenues from corporate and local tax returns, increased loan defaults, and all the other indicia of a recession/depression in the event of a major RIF.

Our local population is shouldering an ever-greater share of our fiscal burden not only because of our local efforts but also because of Gramm-Rudman, which hits the territories harder than it does the states. We are doing all in our power to address our current plight. A set back to our efforts would be most unfortunate.

I enclose herewith information pertaining both our FY87 and '88 fiscal year appropriations requests. In view of the above information, I humbly request your favorable consideration of our requests for funding.

BIOGRAPHY OF STEVEN H. WATSON, CHIEF OF STAFF, AMERICAN SAMOA GOVERNMENT

Mr. Watson, a 1971 graduate of the University of Southern California (B.A. Sociology), went on to attend law school at the University of San Diego. After four years private law practice in San Diego Mr. Watson moved to American Samoa to become Assistant Attorney General in 1978.

Following two and one-half years in the Attorney General's office, during which time he also served as Chief Election Officer for the 1980 general elections (Governor, Congress and local House), Mr. Watson entered the private practice of law in American Samoa. Representative clients included the Amerika Samoa Bank and the American Samoa Power Authority.

After the election of Governor Lutali Mr. Watson assumed the position of Executive Assistant to the Governor in January of 1985. In July of that year an office reorganization resulted in his being named Chief of Staff to the Governor. In addition to his administrative responsibilities Mr. Watson focuses particular attention on territorial-federal relations, regional affairs, capital improvement projects management, and since January of this year budget matters.

BIOGRAPHY OF MELOMA F. AFUOLA

Meloma F. Afuola, was selected as Acting Budget Director in January 1989. Prior to taking over the Budget Office, Mrs. Afuola was Director of the Department of Administrative Services for a period of two years.

A graduate of California State University at Long Beach with a Bachelor's Degree in Accounting, she returned to work for the American Samoa government in 1983. In California, prior to returning to American Samoa, she worked for Hughes Aircraft Company for four (4) years, and TRW for two (2) years.

Mrs. Afuola is married to Associate Judge Afuola with a total of twelve (12) children.

BIOGRAPHY OF PAUL A. FLYNN, SPECIAL ASSISTANT TO THE GOVERNOR

Paul A. Flynn of Joliet, Illinois took his position as Special Assistant to the Governor for Budgetary Affairs on January 23, 1987, having previously been City Manager of the City of Joliet, Illinois.

Mr. Flynn entered public life as the City Manager of Norway, Michigan on October 1, 1983 and has continously worked as City Manager in ten (10) communities since that time.

Following an Honorable Discharge from the U.S. Navy Mr. Flynn attended Michigan State University graduating with a B.S. in Civil Engineering and Public Administration in June 1952. He was awarded the Master's Degree in Governmental Administration from the Fels Institute of the Wharton School of Finance at the University of Pennsylvania in 1960.

Mr. Flynn is married to the former Marian E. Donohue and they have four children - Tracey, Paul, Patrice, and Timothy.

AMERICAN SAMOA GOVERNMENT

FY' 88 AMENDMENTS TO REVENUE PROJECTIONS

The purpose of this presentation is to amend the American Samoa Government (ASG) submission entitled "Department of Interior Budget Proposal, Fiscal Year 1988", dated 8 May, 1986, under letter signed by Acting Governor Eni F. Hunkin, Jr.

Based upon what was known in May 1986, certain revenue forecasts were made and projections were submitted that have since been called into serious question. Upon the appointment of a new Budget Director for ASG on 26 January 1987, a series of meetings were held between the ASG Budget and Treasury offices for the purpose of reconsidering the FY '88 revenue projections. Our analysis resulted in substantially reduced revenue projections for both FY 87 and 88.

Our request of the U.S. Congress is to reinstate the $7.5 million which has been cut from our FY 88 budget. With those funds and a roll back of the ASG budget to the level of FY 87 we believe that our fiscal problems for FY 88 can be solved to our mutual satisfaction. Given the fiscal climate in Washington, D.C., Congress' part will be difficult. Needless to say the effort on our part will be at least as difficult since our FY 87 budget showed very little growth over FY 86; thus ASG will be looking at what essentially amounts to a second consecutive "no-growth" budget.

The Treasury is estimating about $21.5 million in local revenues in 1987. This is consistent with prior year revenues (total local revenues exclusive of tax settlements were $22.7 million in 1985 and $23.3 million in 1986). Taking into account the new tax laws and the fact that some of the 1985 and 1986 revenues were non-recurring, the 1987/1988 forecast is consistent with historical trends.

Much has been made of the fact that the ASG received excess corporate tax revenues from audit settlements with the canneries in FY 84, 85, and 86; a settlement is projected for FY 87 yet none for FY 88. The questions naturally arise: Why is this income not more predictable? Why the large audit settlements in relation to apparent annual tax obligations.

To understand why there is no FY 88 anticipated tax audit settlement it must be understood how the past settlements arose. The settlements for FY 84, 85, and 86 were all paid by Samoa Packing Company, a subsidiary of Ralston Purina ("Van Camp"). They were related to an extensive tax audit of Van Camp tax years 1977 - 1982, during which years Van Camp had paid no Samoa taxes at all. The primary issue for those tax years was Van Camp's allocation of income between their Samoa and mainland operations. During extensive and often adversarial negotiations it was determined in 1983 that a certain minimum amount of money was clearly to be paid to ASG.

However, until Van Camp was able to make certain arrangements with the IRS to obtain overall consistency in their tax affairs, the ASG did not know how much, or when, further revenues would be paid.

Thus it came to pass that ASG received in 1984 over $11 million from Van Camp as their initial payment on the 1977 - 1983 tax audit settlements (including several million dollars in interest). The same method of income allocation was ultimately approved by the IRS resulting in the sums of $4 million and $5 million being received in FY 85 and 86, respectively.

It should be reemphasized, at this point, that ASG did not know, in '84, when or in what amounts these future payments would be made.

It would appear the days of extensive audit settlements are at an end. Fundamental legal disputes have been resolved as to income allocation, heretofore the largest single audit issue. Prior payments included substantial sums owed for interest on back taxes. The ASG believes no settlement will be recovered in FY 88 due to its audit schedule, and that under any circumstances future audits will result in substantially less recovery than in the past.

Given the facts, information, and forecasting for the May 1986 budget submission to DOI, it is now clear that there was entirely too much optimism at that point in time. There was a hasty assumption of ideal economic conditions, and anticipation that the Tax Reform Act would be revenue neutral to ASG.

To further exacerbate our undesirable situation, our Manu'a Islands have been devastated by Hurricane Tusi. In order to receive financial assistance from FEMA in reconstructing the Manu'a Islands the ASG is required to provide a funding match of twenty-five percent (25%). This will range approximately from $1.5 million to $2.5 million in FY '87. Additionally, there are on-going local efforts to repeal the 2% sales tax. The success of these efforts to repeal our sales taxes are undetermined, but it raises some political concerns in our approach to proposing additional tax revenue measures in the immediate future.

It is, of course, most discouraging to realize that FY 88 revenues will not reach projections; it is even more discouraging to have come to this conclusion at such a relatively late date. The ASG, for its part, has moved quickly in response. As the erratum was first beginning to become apparent a drastic reshuffling of personnel occurred at the Budget Office; two responsible people were removed from their positions, including the director, a political appointee; technical assistance money was sought and received from Department of Interior to fund outside expertise; and, the ASG is prepared to bear the full weight of our over-estimations of revenues beyond the amount slashed by DOI and OMB.

We understand these are trying times and the ASG is struggling to stand on its own two feet. We have tried to present an honest straightforward approach, and we honestly feel that with the initial steps we are taking and the assistance we request above, the ASG should be able to rectify and control its current deficit situation within the next few fiscal years.

REVENUE FORECASTS FOR FISCAL YEAR 1987 & 1988
DETAILED JUSTIFICATION

1. TAXES

CORPORATE TAXES

1985 Actual	-	$4,221,334
1986 Actual	-	3,435,626

The new tax laws will not have an impact on corporate tax collections until 1988. Based on the experience of the past two years, about $4 million is expected in 1987, of which $2.6 million has already been received.

Only about 12 corporations on island actually pay any taxes, and the canneries pay by far the most. The Tax Office has done an analysis of the cannery's 1985 returns to estimate the impact of the new tax laws. We estimate a loss of about $1.6 million in tax revenues in 1988 due to the impact of the Tax Reform Act. However, an additional $0.5 million in tax revenues are estimated from improved auditing and enforcement of other corporate returns, yielding a 1988 revenue estimate of $3 million.

INDIVIDUAL TAXES

1985 Actual	-	$5,428,039
1986 Actual	-	5,725,203

The Tax Office recalculated 10% or 700 returns from 1985 to estimate the impact of the new tax laws. We estimate that over 90% of the taxpayers will take the standard deduction, thus the Tax Reform Act will mean a decrease in revenue of about $1.2 million. The tax collections for 1987 and 1988 are estimated at $4.5 million, of which only $1.2 million has has been collected through January 31, 1987.

SALES TAX

Sales tax collections have averaged slightly below $.4 million per quarter for the first three quarters of 1986, so the annualized estimate of revenue from this source is $1.6 million.

EXCISE TAXES

	1985 Actual	1986 Actual
Liquor and Tobacco	$2,818,552	$3,203,676
Motor Vehicles	1,004,409	838,452
Diesel Fuel	1,027,378	1,191,377
Oils	232,910	179,563
Soft Drinks	337,006	267,789
Other	23,931	23,796
Refunds	(291,464)	(479,464)
TOTALS	$5,157,322	$5,225,189

Liquor and tobacco collections are up due to the privatization of the liquor store. Taxes on motor vehicles are down, probably due to the ending of transhipment of vehicles from Japan. Due to reduced collections in 1987 to date, the revenue estimate is $5 million per year.

2. OTHER REVENUE SOURCES

	1985 Actual	1986 Actual	1987 Forecast
Licenses & Permits	$ 502,000	$ 512,599	$ 600,000
Fees & Fines	109,763	144,872	145,000
User Charges	4,861,128	5,359,896	4,774,000
Indirect Costs	858,451	857,934	850,000
Interest Income	505,749	281,926	55,000
Other	146,669	899,714	10,000

License & Permits, Fees & Fines, and Indirect Costs are all estimated at the prior year amounts, as no changes are anticipated.

Interest Income is down due to decreased investment rates plus a lack of cash to invest. The government will be lucky to maintain a $1 million investment balance on the average throughout 1987.

Other Revenues for FY 85 and 86 consisted of (1) writing-off several years of stale unclaimed checks ($53,000 in 1985 and $303,000 in 1986); (2) insurance claims of $427,000 in 1986 for a fire and a mudslide; (3) $77,000 in 1986 from Flag Day Bingo games and donations; and (4) miscellaneous other sources ($93,000 in 1986). The writing-off of checks has been completed and it is unlikely that future years will bring this windfall. Insurance claims are only received to replace damaged facilities, not to support the operating budget. Flag Day revenues go into the Flag Day account and are not used to support operations. Miscellaneous other sources were generally adjustments and unidentified revenues which should disappear as the government improves its accounting system. Therefore only $10,000 is budgeted for Other Revenues in 1987-1988.

User Charges represent a major source of revenue to the government. All of these revenues are expected to maintain 1986 levels except as follows; (1) payments to ASG for Private Job Orders were accounted for as deposits in prior years. In 1985 and 1986 these past deposits were recognized as revenues ($384,000 in 1986). This was a one time revenue and only about $50,000 is estimated for private jobs in 1987; (2) water charges were recognized as revenues when the bills were issued. In 1986 the government accrued an additional 1.5 months of water revenue for unbilled services, or about $115,000 of non-recurring revenues; (3) the Liquor Store and Bowling Alley operated for the first quarter of 1986 under government ownership. These enterprises have since been privatized, but in 1986 ASG received $129,000 from these operations. All the foregoing represents an almost $600,000 decrease in revenue for user charges for FY 86 to FY 87.

AMERICAN SAMOA GOVERNMENT
REVISED REVENUE FORECAST
FISCAL YEARS ENDING 1987 & 1988

REVENUE SOURCE	1986 ACTUAL	APPROVED 1987 BUDGET	TREASURY DEPT 1987 FORECAST	ESTIMATED 1987 SHORTFALL	DOI BUDGET PROPOSAL 1988 FORECAST	TREASURY DEPT 1988 FORECAST	ESTIMATED 1988 SHORTFALL
Taxes:							
Corporate	3,435,626	5,935,000	4,000,000	(1,935,000)	7,487,442	3,000,000	(4,487,442)
Tax Settlement	4,000,000	5,000,000	5,000,000	0	0	0	0
Individual	5,725,203	6,677,000	4,500,000	(2,177,000)	7,303,882	4,500,000	(2,803,882)
Excise	5,225,189	6,458,000	5,000,000	(1,458,000)	7,012,464	5,000,000	(2,012,464)
Sales	776,803	2,000,000	1,600,000	(400,000)	2,000,000	1,600,000	(400,000)
TOTAL TAXES:	19,162,821	26,070,000	20,100,000	(5,970,000)	23,803,788	14,100,000	(9,703,788)
INDIRECT COSTS:	857,934	789,000	850,000	61,000	685,842	850,000	164,158
LICENSES & PERMITS:	612,599	509,500	600,000	90,500	507,369	600,000	92,631
FEES & FINES:	144,872	125,000	145,000	20,000	98,150	145,000	46,850
User Charges:							
Health Services	1,060,855	1,370,500	1,060,000	(310,500)	1,384,205	1,060,000	(324,205)
Port Administration	1,576,925	1,590,000	1,577,000	(13,000)	1,397,210	1,577,000	179,790
Public Works	1,466,849	813,500	1,000,000	186,500	824,142	1,000,000	175,858
Rents & Leases	1,038,871	1,545,000	1,040,000	(505,000)	1,251,000	1,040,000	(211,000)
Community College	86,947	0	87,000	87,000	0	87,000	87,000
Other	129,449	0	10,000	10,000	0	10,000	10,000
TOTAL USER CHARGES:	5,359,896	5,319,000	4,774,000	(545,000)	4,856,557	4,774,000	(82,557)
Miscellaneous Revenue:							
Interest Income	281,926	473,000	55,000	(418,000)	281,242	55,000	(226,242)
Other	899,714	1,023,000	10,000	(1,013,000)	280,500	10,000	(270,500)
TOTAL MISC. REVENUE:	1,181,640	1,496,000	65,000	(1,431,000)	561,742	65,000	(496,742)
TOTAL LOCAL REVENUE :	27,319,762	34,308,500	26,534,000	(7,774,500)	30,513,448	20,534,000	(9,979,448)

AGENCY: American Samoa Government

FISCAL YEAR: 1988

APPROPRIATION: General Operations

ACTIVITY: Education, Higher Education, Health Services, Port Administration, Public Safety, Public Works and Legal Affairs

PROPOSED AMENDMENT: $5,376,000

Current Program: The above described activities make up the backbone of the ASG. Education and Higher Education prepare our youth for life either in Samoa or whenever they choose to live. Health Services are available for the entire population while Public Safety sees to the protection of persons and property. Public Works is responsible for the entire infrastructure of the island as well as all construction either by force account or contract. Port Administration sees to all customs inspections as well as the entire port facilities while Legal Affairs acts as Chief Prosecutor and Legal Advisor to the entire ASG.

Amount Budgeted: FY 1988 - $14,778,000

Feasibility: The activities described above cannot be adequately maintained by the President's FY 1988 Budget Level. The various agencies make up the lions share of all ASG work programs and the work is vital and necessary. The funding levels had been set with ASG revenue projections in mind. Without the additional funds serious program cut backs and personnel reductions will be necessary.

Capacity: If added by the Congress in FY 1988, the proposed $5,376,000 would be used to carry on all ASG programs. The capacity of the agencies would be seriously impaired by the proposed reduction and the Health, Safety and Welfare of the Samoan people accordingly effected.

Outlay Effect: FY 1988 - $5,376,000

Proposed By: Honorable A. P. Lutali, Governor,
American Samoa Government

AGENCY:	American Samoa Government
FISCAL YEAR:	1987
APPROPRIATION:	Education
ACTIVITY:	Education (Primary, Secondary, Skill Center & Special Ed.)
PROPOSED AMENDMENT:	$1,500,000 to maintain service level

Current Program: The Education Department provides teaching capability in grades one (1) through high school for 6,035 children. With the continued growth of the school population the ASG has been hard pressed to keep up with the classroom requirements let alone the additional teachers to staff these classrooms. The future of teaching and preparing Samoan young people for life not only in Samoa but anywhere they might travel is vital and necessary and currently is very fragile.

Amount Budgeted: FY 1987 - $5,679,000

Feasibility: The activities described above are not adequately funded in the President's FY 1987 budget without further increase. Stabilizing the teachers number and maintaining the current educational programs without the potential of.

Capability: If added by the Congress in FY 1987 the proposed $1,500,000 would be used stabilize the wages and benefits package so as to maintain the current staff. Our potential shortfall position will result in severe reduction of programs and workforce.

Outlay Effect: FY 1987 - $1,500,000

Proposed By: Hon. A. P. Lutali, Governor,
American Samoa Government

AGENCY: American Samoa Government
FISCAL YEAR: 1987
APPROPRIATION: Higher Education
ACTIVITY: Two (2) Year College Level
$500,000 to Maintain Service Level

Current Program: The Community College prepares all students in a two (2) year program, for further study off-island towards the Bachelor's Degree. The number of students is increasing annually as is the competion for mainland universities. There is a need for more and better prepared teacher's to prepare our 825 students for their rightful place in American society.

Amount Budgeted: FY 1987 - $1,155,000

Feasibility: The educational services described above cannot be adequately maintained by the President's FY 1987 Budget Level. Skilled, degreed teacher's are a must to properly train our students. Many of these teacher's are contract persons and the cost of coming to Samoa and returning is very high. There is also a serious problem with turnover.

Capacity: If added by the Congress in FY 1987 the proposed $500,000 would assist in stabilizing wages and benefits for the teachingstaff as well as alleviate the turnover problem. Our potential shortfall problem will require drastic reductions in our existing programs and work force.

Outlay Effect: FY 1987 - $500,000

Proposed By: Honorable A. P. Lutali, Governor,
American Samoa Government

AGENCY:	American Samoa Government
FISCAL YEAR:	FY 1987
APPROPRIATION:	Health
ACTIVITY:	Provide Health Services to all American Samoa Citizens
PROPOSED AMENDMENT:	$1,500,000

Current Program: The LBJ Tropical Hospital provides health service for all persons in the American Samoa. The Hospital consists of the main facility, 2 district clinics and a dispensary for the Manu'a Islands. The service provided covers the entire range of medical problems up to and including major surgery, child birth, broken bones, eyeglasses, etc. speciality matters for which we are not equipt are sent to Tripler Army Hospital in Hawaii at government expense.

Amount Budgeted: FY 1987 - $5,527,000

Feasbility: The activities described above cannot be adequately maintained in the President's FY 1987 Budget Level. Medical Practioners, Registered Nurses and Specialists must be contracted with to work for a period of two (2) years at least. The cost of coming to Samoa and returning is very high and the turnover extreme.

Capability: If added by the Congress in FY 1987 the proposed $1,500,000 would be use partially for stabilizing wages and benefits for the Medical Staff as to alleviate the high cost of transportation as well as establishing better continuity of performance. The balance of the funds will be used to to alleviate the potential problem of a government reduction in force.

Outlay Effect: FY 1987 - $1,500,000

Proposed By: Honorable A. P. Lutali, Governor, American Samoa Government

STATEMENT OF LETULI TOLOA

HONORABLE CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, THANK YOU ONCE AGAIN FOR THE OPPORTUNITY TO SPEAK TO YOU ABOUT OUR ECONOMIC SITUATION. TRIPS FROM OUR TERRITORY TO CONGRESSIONAL BODIES SUCH AS THIS HAVE BECOME MORE FREQUENT LATELY DUE TO THE POSITIVE PROGRESS OF OUR OWN ECONOMY. I BELIEVE THAT THESE EXTENDED EFFORTS ARE EFFECTIVE, AND APPRECIATE FULLY YOUR ATTENTION TO OUR NEEDS.

SINCE 1985, THE LEGISLATURE OF AMERICAN SAMOA HAS TAKEN AN INCREASINGLY ACTIVE ROLE IN THE FINANCIAL OPERATIONS OF THE GOVERNMENT. BASICALLY, WE HAVE COOPERATED WITH THE ADMINISTRATION'S POLICIES AND HAVE, ON OUR OWN, INTRODUCED LEGISLATION FOR MANY REVENUE GENERATING IDEAS. HOWEVER, WE CAN AND MUST BE SELECTIVE IN CHOOSING THE SEGMENTS OF OUR ECONOMY WHICH MUST SHOULDER THE BURDEN OF ANY NEW TAXES. THE MEDIAN INCOME LEVEL OF OUR ISLAND'S LABOR FORCE IS VERY LOW COMPARED TO MAINLAND STANDARDS. TAXES OF GENERAL APPLICABILITY NOT ONLY HURT THE MAJORITY OF WORKERS BUT FAIL TO GENERATE THE VOLUME OF REVENUE NEEDED BY THE GOVERNMENT TO MAINTAIN EXPANDING SERVICES. AS THE GOVERNOR HAS STATED, CERTAIN BUSINESS-BASED ASSESSMENTS WILL BE PURSUED LATER THIS YEAR AS THIS SECTOR OF OUR ECONOMY CAN BETTER HANDLE THE LOAD.

FOR SEVERAL YEARS I HAVE BEEN REPEATING A CERTAIN THEME IN MY APPEARANCES BEFORE YOU AND OTHER SIMILAR CONGRES-

SIONAL COMMITTEES; TRANSITION. AMERICAN SAMOA IS VERY GRADUALLY EMERGING FROM MANY YEARS OF ECONOMIC STAGNATION. NO DOUBT YOU CAN APPRECIATE THE SLOW, DELIBERATE NATURE OF BUILDING AN ECONOMY. IT IS VITAL TO OUR SURVIVAL THAT YOU KEEP THIS PERSPECTIVE IN MIND. EACH NEW STEP TOWARDS PRIVATIZATION HOLDS GREATER BENEFITS IN LOWER DEMANDS ON GOVERNMENT REVENUE BUT THESE BENEFITS UNFOLD OVER TIME. CERTAIN OF OUR REVENUE GENERATING ENTERPRISES, IN FACT, DO QUITE WELL. HOWEVER, ANY GOVERNMENTAL "PROFITS" ARE QUICKLY ABSORBED IN THE LONG TERM IMPROVEMENT PROJECTS. THE PROFITS DO NOT PROVIDE AVAILABLE REVENUE FOR SHORT TERM OPERATIONS.

MR. CHAIRMAN, WE ARE REQUESTING $3.5 MILLION JUST TO MAKE THIS YEAR'S OPERATIONS BARELY MANAGEABLE. THERE ARE NO SPECIAL OR UNIQUE PROJECTS WE WISH TO HAVE WHICH WE CAN'T AFFORD ON OUR OWN. IN THE CONTEXT OF OUR OVERALL IMPROVING ECONOMIC POSITION, WE FEEL THAT THIS SUM IS PROPERLY VIEWED AS A SMALL INVESTMENT IN THE FUTURE OF AMERICA'S ONLY TERRITORY IN THE SOUTH PACIFIC.

IN CONCLUSION, I'D LIKE TO SAY THAT WE ARE VERY MINDFUL OF THE TREMENDOUS AMOUNT OF COMPETING DEMANDS FOR YOUR SUPPORT. BUT I BELIEVE THAT UPON SINCERE CONSIDERATION BY YOU, A FAVORABLE DECISION WILL PREVAIL.

SOIFUA!

STATEMENT OF FOFO I.F. SUNIA, DELEGATE FROM AMERICAN SAMOA

MR. CHAIRMAN, I REGRET THAT I AM UNABLE TO JOIN YOU THIS MORNING AND TO APPEAR BEFORE YOUR SUBCOMMITTEE. FROM APRIL TWENTY-SECOND UNTIL MAY THIRD, FOUR OF OUR COLLEAGUES AND I ARE REPESENTING THE HONORABLE JAMES C. WRIGHT JR. AT THE ANNUAL MEETING OF THE INTERPARLIAMENTARY UNION IN MANAGUA, NICARAGUA. I AM SORRY THAT THIS RESPONSIBILITY TO THE SPEAKER OF THE HOUSE PREVENTS ME FROM TESTIFYING IN PERSON.

HOWEVER, I WOULD LIKE TO BRING TO YOUR ATTENTION THREE POINTS THAT I FEEL ARE OF VITAL IMPORTANCE TO MY CONSTITUENTS. THE FIRST AND MOST OBVIOUS PROBLEM IS THE STEEP REDUCTION IN FUNDING THAT THE DEPARTMENT OF THE INTERIOR (DOI) HAS PROPOSED IN AMERICAN SAMOA: FIVE MILLION, THREE HUNDRED SEVENTY-SIX THOUSAND (5,376,000) DOLLARS FROM GOVERNMENT OPERATIONS AND TWO MILLION, THREE HUNDRED SIXTY-THREE THOUSAND (2,363,000) DOLLARS FROM CAPITAL IMPROVEMENT PROJECTS. THAT IS A TOTAL REDUCTION OVER JUST ONE YEAR OF SEVEN MILLION, SEVEN HUNDRED THIRTY-NINE THOUSAND (7,739,000) DOLLARS. DOI BASED ITS PROPOSAL UPON THE EXPECTATION OF BACK TAX PAYMENTS BY ONE OF THE TERRITORY'S TUNA CANNERIES. IT IS NOW CLEAR THAT THESE PROJECTIONS WERE QUITE IN ERROR. THE GOVERNOR OF AMERICAN SAMOA, THE HONORABLE A.P. LUTALI, RESPONDED QUICKLY TO WHAT WAS AN INEXCUSABLE MISTAKE BY MAKING THE NECESSARY CHANGES IN THE ADMINISTRATION OF THE TERRITORY'S BUDGET OFFICE.

THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS (OTIA) IS AT FAULT ALSO. IT FAILED TO REVIEW THESE REVENUE PROJECTIONS ADEQUATELY BEFORE SUBMITTING ITS FINAL PROPOSAL TO THE OFFICE OF MANAGEMENT AND BUDGET. I HAVE EXPRESSED THIS VIEW TO OTIA OFFICIALS IN HEARINGS OF THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS.

WHILE DOI WILL NOT TAKE STEPS TO CORRECT THIS UNFORTUNATE ERROR, THE HOUSE INTERIOR COMMITTEE HAS RESPONDED FAVORABLY TO MY REQUEST TO RESTORE FUNDING FOR GOVERNMENT OPERATIONS IN AMERICAN SAMOA TO THE LEVEL APPROPRIATED FOR FISCAL

YEAR 1987. FURTHERMORE, THE HOUSE COMMITTEE ON THE BUDGET HAS INCLUDED THIS AMOUNT AND THE TWO THAT FOLLOW IN ITS BILL. EVEN AFTER THESE ADDITIONS, OUTLAYS FOR FISCAL YEAR 1988 IN AMERICAN SAMOA WILL STILL BE BELOW THE TOTAL FOR FISCAL YEAR 1987. TO SEEK AN INCREASE WOULD BE UNREASONABLE. HOWEVER, THERE ARE BASIC SERVICES IN AMERICAN SAMOA THAT THIS BUDGET WOULD SWEEP AWAY IF CONGRESS IMPLEMENTED DOI'S SEVERE CUTBACKS. I HOPE THAT YOU WILL AGREE WITH THE HOUSE INTERIOR COMMITTEE'S RECOMMENDATIONS.

EVEN IF CONGRESS RESTORES FISCAL YEAR 1988 FUNDING TO PREVIOUS LEVELS, AMERICAN SAMOA MAY SOON FACE THE DOUBLE-EDGED SWORD OF FALLING INCOME AND RISING OUTLAYS. THE TAX REFORM ACT OF 1986 WILL PROBABLY DISRUPT REVENUE PROJECTS IN FUTURE YEARS, WHILE THE DEPARTMENT OF LABOR REVIEW OF THE TERRITORY'S MINIMUM WAGE, SCHEDULED FOR THIS JUNE, WILL SURELY RESULT IN WAGE INCREASES FOR AMERICAN SAMOA GOVERNMENT (ASG) EMPLOYEES.

MY SECOND CONCERN CENTERS ON HOUSING IN AMERICAN SAMOA. YOU ARE AWARE OF THE DIFFICULTY MY CONSTITUENTS FACE IN OBTAINING HOME LOANS. IN 1984 THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON THE INTERIOR GENEROUSLY APPROVED TWO MILLION (2,000,000) DOLLARS IN FEDERAL FUNDING TO ESTABLISH A HOME LOAN PROGRAM IN THE TERRITORY. WHILE THE SUBSEQUENT CONFERENCE COMMITTEE REDUCED THAT SUM TO NINE HUNDRED EIGHTY THOUSAND (980,000) DOLLARS, ASG NONETHELESS LAUNCHED AN IMPRESSIVE INITIATIVE.

FOLLOWING SEVERAL ROUNDS OF DISCUSSIONS, DOI, ASG AND THE BANKS IN AMERICAN SAMOA FINALLY AGREED ON A PROGRAM WHEREIN THEY WOULD USE THE INITIAL NINE HUNDRED EIGHTY THOUSAND (980,000) DOLLARS AS LEVERAGE TO OBTAIN ADDITIONAL FUNDS FROM PRIVATE LENDING INSTITUTIONS. I HAVE ENCLOSED A COPY OF THE PROPOSED PROGRAM FOR YOUR INFORMATION.

THE NEW ARRANGEMENT WILL STILL BE ABLE TO ACCOMODATE ONLY A FRACTION OF THE NUMBER OF WORTHY LOAN APPLICANTS, MANY OF WHOM HAVE ALREADY SPENT YEARS LANGUISHING ON A WAITING LIST. I HAVE ASKED THAT YOUR COMMITTEE APPROPRIATE ONE MILLION

(1,000,000) DOLLARS MORE FOR THE HOME LOAN PROGRAM IN FISCAL YEAR 1988. IT IS OBVIOUS THAT A ONE-TIME INFUSION OF MONEY WILL NOT SUFFICE TO SATISFY THE DEMAND. I FEEL VERY STRONGLY THAT HOME LOAN FINANCING IS THE GREATEST UNMET NEED OF THE PEOPLE OF AMERICAN SAMOA. I URGE YOUR POSITIVE CONSIDERATION OF THIS PROPOSAL.

MY THIRD CONCERN IS THE RELOCATION OF RESIDENTS WHO LIVE NEXT TO OIL STORAGE TANKS. IN 1986 OIL LEAKED FROM ONE OF THE TANKS AND COULD HAVE RESULTED IN TRAGEDY AND DESTRUCTION FOR THE RESIDENTS THERE. OVER THE INTERVENING MONTHS LEAKS HAVE CONTINUED. WE NEED TO RELOCATE RESIDENTS IN THAT AREA AS SOON AS POSSIBLE. MAY I ASK FOR FIVE HUNDRED THOUSAND (500,000) DOLLARS TO SAVE THE LIVES OF THESE AMERICANS?

AT THIS POINT FOR THE EDIFICATION OF THE MEMBERS OF THIS SUBCOMMITTEE I WOULD LIKE TO INSERT A SUMMARY OF THE FEDERAL DOLLARS APPROPRIATED FOR AMERICAN SAMOA IN FISCAL YEARS 1981-87:

AMERICAN SAMOA
FEDERAL APPROPRIATIONS DOLLARS

ACTIVITY	1981	1982	1983
Government Operations	25,144,000	17,664,000	21,563,000
(OTIA's Request)	16,919,000	17,650,000	18,222,000
CIP's	7,969,865	7,099,000	1,777,000
(OTIA's Request)	7,650,000	5,895,000	1,480,000
Economic Development Loan Fund	500,000	240,000	500,000
(OTIA's Request)	500,000	250,000	nil
Special Programs		144,000	7,178,000
Totals	33,613,865	25,147,000	31,018,000
(OTIA's Request)	25,069,000	23,795,000	19,702,000

(For fiscal year 1982 OTIA requested $150,000 for the administration by the Governor of American Samoa of Canton Island, since 23rd September 1983 part of Kiribati, which has been a republic within the Commonwealth of Nations since 12th July 1979.)

ACTIVITY	1984
Government Operations	20,400,000
(OTIA's Request)	18,900,000
CIP's	5,000,000
(OTIA's Request)	2,000,000
Totals	25,400,000
(OTIA's Request)	20,900,000

ACTIVITY	1985	1986	1987
Government Operations	20,776,000	19,763,000	20,776,000
(OTIA's Request)	20,440,000	20,776,000	20,776,000
CIP's	5,069,000	5,633,000	4,313,000
(OTIA's Request)	1,672,000	3,746,000	2,730,000
Special Programs	980,000		
Totals	26,825,000	25,396,000	25,089,000
(OTIA's Request)	22,072,000	24,522,000	23,506,000

LETTER FROM TUANA'ITAU F. TUIA

April 20, 1987

Robert C. Byrd
Chairman, Senate Budget
and Appropriations Committee
United States Senate
Capitol Hill, Washington D.C.

Hon. Congressman Yates, Chairman
House Budget and Appropriations Committee
United States House of Representatives
Capitol Hill, Washington D.C.

Dear Chairman:

I am honored and pleased to submit for your consideration and hopefully, incorporated in your official records, the testimony of the House of Representatives, supporting our budget requests submitted by our Governor for Fiscal Year 1988. We are again petitioning your support as the Office of Management and Budget has reduced our fiscal year 1988 budget by percent compared to our fiscal year 1987 level.

If the executed budget cuts are implemented, the American Samoa Government, without a shadow of doubt, will have to institute a general government reduction in force.

This action will cause economic devastation for the territory. You have always made sure that the people of the Territories maintain a standard of living and quality of life which is reflective of your design for us in the Pacific. We are appreciative of your continued support.

Sincerely Yours,

TUANA'ITAU F. TUIĀ
Speaker of the House

STATEMENT OF TUANA'ITAU F. TUIA

MR. CHAIRMAN AND DISTINGUISED MEMBERS OF THE COMMITTEE, I AM DEEPLY HONORED AND CERTAINLY PRIVILEDGED, ON BEHALF OF THE AMERICAN SAMOA HOUSE OF REPRESENTATIVES, TO HAVE BEEN GIVEN THIS OPPORTUNITY, TO OFFER TESTIMONY ON OUR FISCAL YEAR 1988 BUDGET. THE GOVERNOR HAS ALREADY EXPLAINED OUR PREDICAMENT AND THE POTENTIAL ADVERSE IMPACT OF THE PROPOSED BUDGET RESCISSION TO THE GOVERNMENT AND THE PEOPLE OF AMERICAN SAMOA. MEMBERS OF THE GOVERNOR'S CABINET AND MY VICE SPEAKER MET WITH SOME OF YOUR STAFF TO DISCUSS THE SPECIFICS OF OUR REQUEST FOR TOTAL RESTORATION OF THE RESCISSION EXECUTED BY THE OFFICE OF MANAGEMENT AND BUDGET. WE MADE THE SAME PLEA TO THE OVERSIGHT COMMITTEE IN MARCH. I AM VERY THANKFUL THAT THE COMMITTEE WAS SYMPATHETIC AS MANIFESTED IN THEIR SUPPORT FOR THE RESTORATION OF THE BUDGET CUTS.

PLEASE KNOW THAT WE FULLY UNDERSTAND AND SUPPORT THE CONGRESS AND THE PRESIDENT'S EFFORTS TO BALANCE THE BUDGET. WE, AS PART OF THE AMERICAN FAMILY, WANT TO SHOULDER OUR SHARE OF THE BURDEN. TO THIS END, I STRONGLY FEEL THAT THE PEOPLE OF AMERICAN SAMOA HAVE MADE THE NECESSARY SACRIFICES DEMANDED FROM ALL OF THE PEOPLE OF THIS GREAT COUNTRY OF OURS. WE ARE NOT ASKING FOR ANY ADDITIONAL FUNDS. WE ARE REQUESTING, HOWEVER, THAT THE SAME LEVEL OF FUNDING WHICH WE HAVE BEEN RECEIVING FOR THE LAST FIVE YEARS BE MAINTAINED.

IF YOU REVIEW THE STATISTICS (1) ON THE DEPARTMENT OF INTERIOR'S DIRECT AID TO THE TERRITORY, YOU WILL SEE THAT IN REAL DOLLARS, FINANCIAL SUPPORT FOR AMERICAN SAMOA HAS DECLINED OVER THE YEARS. OUR POPULATION (2) ON THE OTHER HAND, IS CONSTANTLY CLIMBING. THIS SITUATION HAS CONTINUALLY APPLIED PRESSURE ON THE LOCAL GOVERNMENT TO RAISE THE REQUISITE FINANCIAL RESOURCES TO MEET THE RISING COST OF GOVERNMENT SERVICES BROUGHT ABOUT BY FACTORS AFORE-MENTIONED. FOR THE PAST YEARS, WE HAVE BEEN ABLE TO RAISE THE NECESSARY REVENUES TO MAKE UP THE FISCAL SHORTFALL ESSENTIAL TO MAINTAIN OUR CURRENT SERVICE LEVELS.

THROUGH THE JOINT EFFORTS OF THE GOVERNOR AND THE LEGISLATURE, NEW REVENUE MEASURES HAVE BEEN ENACTED AND IMPLEMENTED, DESPITE PUBLIC OUTCRY. IN THE RECENTLY COMPLETED LEGISLATIVE SESSIONS, ADDITIONAL MEASURES WERE ENACTED AND SIGNED BY THE GOVERNOR. ONE OF THESE BILLS CREATED AN EXCISE TAX ON MISCELLANEOUS FISH ENTERING THE TERRITORY. PROPONENTS OF THE FISHING INDUSTRY VEHEMENTLY CRITICIZED THIS MEASURE, CLAIMING THAT IT WILL TIP THE SCALES TOWARDS SHIFTING CANNERY OPERATIONS TO MORE CONDUCIVE ECONOMIC LOCATIONS. AS YOU CAN SEE MR. CHAIRMAN, WE ARE NOT AFRAID TO MAKE DIFFICULT DECISIONS. WE ARE ALSO MINDFUL OF OUR LIMITATIONS GIVEN THE SIZE AND FRAGILE NATURE OF OUR ECONOMIC SYSTEM.

WE HAVE REACHED THE POINT OF DEMINISHING RETURNS WITH OUR PRESENT ECONOMIC SYSTEM. WE ARE, THEREFORE CAUTIOUS, LEST IN OUR EFFORTS TO GENERATE REVENUES, THROUGH THE ENACTMENT OF REVENUE MEASURES, PRODUCE ADVERSE ECONOMIC CONDITIONS WHICH WILL CREATE VICIOUS ECONOMIC CYCLES, DESTROYING THE LONG TERM ECONOMIC STABILITY FOR THE TERRITORY.

THE EXECUTED RESCISSIONS BY THE OFFICE OF MANAGEMENT AND BUDGET OF OUR OPERATIONS AND CAPITAL IMPROVEMENT PROJECT REQUESTS WILL, WITHOUT A SHADOW OF DOUBT, FORCE A GENERAL GOVERNMENT REDUCTION IN FORCE. THIS ACTION WILL DEVASTATE OUR ECONOMIC SYSTEM AND PRODUCE A SECOND LAYER OF REDUCTION IN FORCE IN THE PRIVATE SECTOR. A THIRD LEVEL OF REDUCTION IN FORCE WILL BE IMPLEMENTED AS THE DECLINE IN TAX REVENUES WILL EVENTUATE DUE TO REDUCTION IN THE LABOR FORCE, REDUCTION IN PURCHASING POWER, THE IMPCAT OF THE MINIMUM WAGE, RECLINE IN FEDERAL GRANTS AND THE EFFECTS OF THE TAX REFORM ACT OF 1986.

THE TAX REFORM ACT OF 1986 IS GOING TO APPLY PRESSURE ON THE LEGISLATURE TO ENACT A MEASURE EXEMPTING THE TERRITORY FROM ADOPTING THE PROVISIONS OF THE NEW TAX LAW. IT WOULD BE UNFAIR TO THE PEOPLE OF THE TERRITORY IF THE LEGISLATURE WOULD DISQUALIFY THEM FROM ENJOYING THE BENEFITS OF LOWER TAXES. WE ARE ALREADY HARDPRESSED TO REPEAL THE 2(%) SALES TAX.

PROHIBITING THE ADOPTION OF THE PROVISIONS OF THE TAX REFORM LAW WILL HEIGHTEN THE PUBLIC OUTCRY AGAINST THE GOVERNMENT AND ITS ABILITY TO BE RESPONSIVE TO THEIR NEEDS AND PROTECTION OF THEIR RIGHTS. IT WOULD BE POLITICALLY IMPOSSIBLE TO DENY OUR PEOPLE THE BENEFITS OF THE LEGISLATIVE MEASURE DESIGNED BY CONGRESS AND THE PRESIDENT TO PROVIDE FAMILIES WITH A BREAK. THE TAX REFORM ACT WILL MEAN A LOSS OF LOCAL REVENUES; CREATING A FISCAL GAP WHICH WILL HAVE TO BE FILLED FROM SOME OTHER MEANS.

DESPITE THE 87 YEARS THAT WE HAVE ENJOYED BEING A PART OF THE UNITED STATES FAMILY, WE HAVE HAD ONLY NINE (9) YEARS OF SELF GOVERNMENT. IN THESE NINE YEARS, THE FOCUS HAS BEEN

PLACED ON THE CONSTRUCTION OF THE INFRASTRUCTURAL SYSTEM ESSENTIAL TO THE PROMOTION OF ECONOMIC DEVELOPMENT. WE HAVE ALWAYS BEEN FORCED TO WORK UNDER CRISIS CONDITIONS AND VERY LITTLE TIME TO IMPLEMENT THE KINDS OF STRATEGIES WHICH WILL PRODUCE LONG TERM BENEFITS FOR THE TERRITORY. THE PRESSURE IS FURTHER MAGNIFIED BY THE DECLINE IN FEDERAL SUPPORT, THE CONTINUED INCREASE IN OUR POPULATION, THE CONSTANT CLIMB IN OUR INFLATION RATE, THE NEAR TOTAL DEPRECIATION OF PUBLIC FACILITIES AND THE RESTRICTIVE SIZE OF THE ECONOMIC SYSTEM WHICH LIMITS OUR ABILITY TO DEPLOY INNOVATIVE REVENUE GENERATING MEASURES CURRENTLY USED IN THE UNITED STATES AND IN THE DEVELOPED COUNTRIES OF THE WORLD.

IT HAS BEEN TWO MONTHS SINCE HURRICANE TUSI DEVASTATED THE ISLAND OF MANU'A. THE RESPONSE FROM THE FEDERAL GOVERNMENT WAS OVERWHELMING. PUBLIC UTILITIES ARE SLOWLY BEING RESTORED. THE GOVERNMENT IS IN THE PROCESS OF RECONSTRUCTING PUBLIC FACILITIES. AT LEAST 98% PERCENT OF THE MANU'A RESIDENTS HAVE BEEN ISSUED CHECKS UNDER THE INDIVIDUAL FAMILY GRANT PROGRAM FOR THEIR SERIOUS NEEDS AND NECESSARY EXPENSES. THE SPECIFICS OF THE TEMPORARY HOUSING PROGRAM ARE BEING FORMULATED AND IN THE PROCESS OF BEING IMPLEMENTED. WHILE THE FEDERAL GOVERNMENT WILL CONTRIBUTE MUCH TO THE REBUILDING OF MANU'A, MORE FINANCIAL RESOURCES WILL BE NEEDED TO COVER THE COSTS WHICH ARE INELIGIBLE UNDER THE FEMA PROGRAMS. THIS WILL EXERT ADDITIONAL PRESSURE ON LOCAL RESOURCES TO COVER THESE EXPENSES. THESE EXPENDITURES ARE NOT REFLECTED IN OUR FY 1988 BUDGET. THE RESTRICTIVE NATURE OF OUR CURRENT AND FISCAL YEAR 1988 BUDGET PRECLUDES REDIRECTION OF FUNDS TO HANDLE THESE UNANTICIPATED COSTS. THE RESCISSION EXECUTED BY THE OFFICE OF MANAGEMENT AND BUDGET CRIPPLES OUR ABILITY TO RAISE REVENUES, NOT ONLY TO MEET THE BUDGET SHORTFALL BUT

ALSO TO FINANCE THE RECONSTRUCTION OF PUBLIC FACITLITIES FOR THE MANU'A ISLANDS.

THROUGH YOUR SUPPORT AND CONCERN FOR THE WELFARE OF OUR PEOPLE, YOU OVERTURNED THE DECISION OF THE DEPARTMENT OF LABOR'S 19TH WAGE INDUSTRY COMMITTEE WHICH SET THE MINIMUM WAGE FOR THE TERRITORY AT $3.35 AN HOUR.

THIS DECISION WOULD HAVE, WITHOUT A DOUBT, CAUSE CATASTROPHIC DAMAGE TO THE FRAGILE ECONOMY OF THE TERRITORY. THIS DARK CLOUD STILL LOOMS OVER THE TERRITORY, AS A NEW WAGE INDUSTRY COMMITTEE IS BEING FORMED TO RECONSIDER THE MINIMUM WAGE FOR THE TERRITORY IN JUNE OF THIS YEAR. ANY ACTION BY THIS COMMITTEE TO RAISE THE MINIMUM WAGE LEVEL WILL REFLECT NEGATIVELY ON OUR FISCAL YEAR 1988 BUDGET. FOR ALL OF THE PAST MINIMUM WAGE HIKES, THE TERRITORY SHOULDERED THIS FINANCIAL BURDEN ALONE. NO DOUBT, WE SHALL AGAIN BE MADE RESPONSIBLE TO COME UP WITH THE FINANCIAL RESOURCES TO DEFRAY THE COST OF A RECOMMENDED INCREASE IN OUR MINIMUM WAGE RATE. I AM NOT ADVERSED TO RAISING THE MINIMUM WAGE, HOWEVER, IT IS WRONG TO EQUATE OUR MINIMUM WAGE TO MAINLAND STANDARDS. IT SHOULD BE SET BASED ON LOCAL CONDITIONS AND IT SHOULD CONSIDER SUCH FACTORS AS OUR POSITION IN THE SOUTH PACIFIC REGION AND WHAT IT DOES TO OUR COMPETITIVE EDGE RESPECTING THE ATTRACTION OF FOREIGN INVESTMENT, ESSENTIAL TO THE ECONOMIC PROGRESS OF AMERICAN SAMOA. THIS TASK IS MADE IMPOSSIBLE WHEN OUR CLOSE NEIGHBOR, THE INDEPENDENT STATE OF WESTERN SAMOA'S MINIMUM WAGE IS EIGHT (8) TIMES LOWER THAN OURS. THIS FACT HAS ALREADY THREATENED THE ECONOMIC SECURITY OF THE TERRITORY, AS ONE OF THE CANNERIES, STAR KIST SAMOA, WILL BE SETTING UP FACILITIES IN WESTERN SAMOA IN THE NEAR FUTURE. THESE OVERTURES ULTIMATELY REDUCE THE TERRITORY'S REVENUE BASE, THUS PERPETUATING OUR DEPENDENCE ON FEDERAL SUPPORT.

IT IS DIFFICULT FOR ME TO ACCEPT THE RATIONALE PROVIDED BY THE OFFICE OF MANAGEMENT AND BUDGET PROMPTING THEIR RESCISSION OF OUR BUDGET REQUEST. EVER SINCE I CAN REMEMBER, BOTH DOI AND OMB HAVE BEEN VERY CRITICAL OF THE WAY OUR REVENUES HAVE BEEN PROJECTED. THEY HAVE ALWAYS HELD THE OPINION THAT WE DELIBERATELY UNDERESTIMATE OUR REVENUES. IT IS IRONIC THAT WE ARE BEING PENALIZED FOR TRYING TO ACCOUNT FOR ALL POSSIBLE LOCAL REVENUES TO PUT DOI AND OMB'S CONCERNS AT REST. IT IS ALSO HARD TO ACCEPT OMB'S THINKING THAT SINCE ADDITIONAL REVENUES ARE BEING FORCASTED FOR FY1988, THAT ASSISTANCE TO THE TERRITORY SHOULD BE REDUCED ACCORDINGLY. THIS PRECEPT ASSUMES THAT THE COST OF OUR GOVERNMENT HAS REMAINED CONSTANT OVER THE YEARS. THIS IS TOTALLY UNREALISTIC SINCE IT ASSUMES NO POPULATION GROWTH AND NO INFLATION HAS OCCURRED. THE AMERICAN SAMOA GOVERNMENT SINCE 1980 HAS HAD TO ASSUME ANNUAL INFLATION COST. THE PROPOSED REDUCTION TO OUR BUDGET OF ABOUT $7 MILLION DOLLARS IN LIGHT OF THE GRAMM/RUDMAN IMPACT ON OTHER FEDERAL RESOURCES TO AMERICAN SAMOA WILL NO DOUBT CAUSE A GOVERNMENT REDUCTION IN FORCE. MUCH OF THE NEW PROJECTED RESOURCES HAVE BEEN COMMITTED TO SUPPLEMENT LOCAL PROGRAMS WHICH HAVE LOST FEDERAL SUPPORT BECAUSE OF THE GRAMM/RUDMAN. FEDERAL PROGRAMS TO THE TERRITORY WILL FACE ANOTHER WAVE OF CUTS IN FISCAL YEAR 1988 UNDER THE GRAMM/RUDMAN. THIS WILL MEAN THAT LOCAL RESOURCES MUST BE FOUND TO REPLACE LOST FEDERAL DOLLARS OR FACE A REDUCTION IN FORCE. THIS ALTERNATIVE WILL CREATE A VICIOUS ECONOMIC CYCLE WHICH WILL DESTROY THE ECONOMY OF THE TERRITORY AND LEAD TO A HIGHER DEGREE OF DEPENDENCE ON THE UNITED STATES.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I DO NOT THINK THAT OUR REQUEST IS UNREASONABLE. THE RESTORATION OF OUR REQUEST TO AT LEAST FY1987 LEVELS DOES NOT REFLECT ANY IN-

CREASE DEMANDS ON FEDERAL RESOURCES. THE DEMANDS ON LOCAL RESOURCES ARE ALREADY MAGNIFIED WITH THE CUTS WE WILL HAVE TO ENDURE FROM GRANT PROGRAMS, THE RECONSTRUCTION OF THE MANU'A ISLANDS, THE POSSIBLE INCREASE IN MINIMUM WAGE, THE DETERIORATION OF OUR INFRASTRUCTUAL SYSTEM, THE REDUCTION IN OUR LOCAL REVENUES DUE TO THE TAX REFORM ACT OF 1986, THE GROWING POPULATION AND THE RESTRICTIVE SIZE OF OUR ECONOMIC SYSTEM. WE ARE VERY GRATEFUL AND APPRECIATIVE OF YOUR CONTINUED SUPPORT AND YOUR GENUINE INTEREST IN THE WELFARE OF YOUR PEOPLE IN THE REMOTE SOUTH PACIFIC.

FOOTNOTES:

Footnote 1/ : Reduction in DOI's contribution to the American Samoa Government in REAL DOLLARS

FISCAL YEAR	DOI GRANT IN AID	PERCENT CHANGE	INFLATION RATE	INFLATION IMPACT	SHORTFALL
1978	15,478,000				
1979	17,186,000	36.34%	15.20%	17,830,656	3,272,344
1980	17,516,860	-18.56%	16.80%	20,826,206	(3,640,206)
1981	19,223,635	1.69%	8.30%	22,554,781	(5,077,781)
1982	20,776,454	0.23%	6.00%	23,908,068	(6,391,208)
1983	19,287,000	51.04%	5.10%	25,127,380	1,329,620
1984	20,776,454	-27.34%	5.90%	26,609,895	(7,386,260)
1985	15,000,000	8.08%	5.10%	27,967,000	(7,190,546)
1986		-7.17%	4.90%	29,337,383	(10,050,383)
1987		7.72%	5.00%	30,804,252	(10,028,252)
1988		-27.80%	5.50%	32,498,486	(17,498,486)

DOI Grant-In-Aid:	Actual direct appropriations from the Department of the Interior for American Samoa.

DOI and OMB have only recommended $15 million for Fiscal year Year 1988 for basic operations.

Percent Change:	Reflects the change in the actual direct appropriations from one fiscal year to the next.
Inflation Rates:	Represents actual inflation rates for the Territory for the analysis period.
Inflation Impact:	Shows that amount of funds that is needed by the American Samoa Government to cover inflation.
Shortfall:	Represents the variance between the actual direct appropriations and inflation impact. It strives to illustrate the fact that DOI and OMB have not even considered the impact of inflation on the annual cost of providing public services. Thus the Local Government has been shouldering this additional cost.

FOOTNOTE 2/: Continued escalation in the Territory's population

YEAR	POPULATION	% CHANGE	DOI GRANT IN AID	PER CAPITA BASIC OPERATION
1978	31,430		12,478,000	492
1979	31,980	1.75%	21,103,000	660
1980	32,550	1.78%	17,186,000	528
1981	33,130	1.78%	17,477,000	528
1982	33,720	1.78%	17,516,860	519
1983	34,320	1.78%	26,457,000	771
1984	34,931	1.78%	19,223,635	550
1985	35,553	1.78%	20,776,454	584
1986	36,186	1.78%	19,287,000	533
1987	36,830	1.78%	20,776,000	564
1988	37,485	1.78%	15,000,000	400
			AVERAGE	557

Population: Projected population from 1981 to 1987 assuming a growth rate of 1.78%

Per Capita: It just provides an allocation of appropriation for basic operation through DOI GRANT-IN-AID. The average for the last ten years is $557 per person.

SEAWALL CONSTRUCTION

Senator JOHNSTON. Thank you very much, governor.

Governor, how is the seawall construction requirement? Would you describe your need for that?

Governor LUTALI. We still have great need for stone seawall construction, Mr. Chairman. We have certain areas that are being washed away by the strong waves and we need to look into that, too.

Senator JOHNSTON. Would you please provide the committee with figures for revenues, expenditures, and government employment for the past 4 years? Of course, you would need to do that in writing, but we would appreciate having that. I think somebody is trying to save money; trying to get the point across.

[The information follows:]

1. Senator Johnston requested the territory of American Samoa provide information pertaining its growth in employment levels over the last several years.

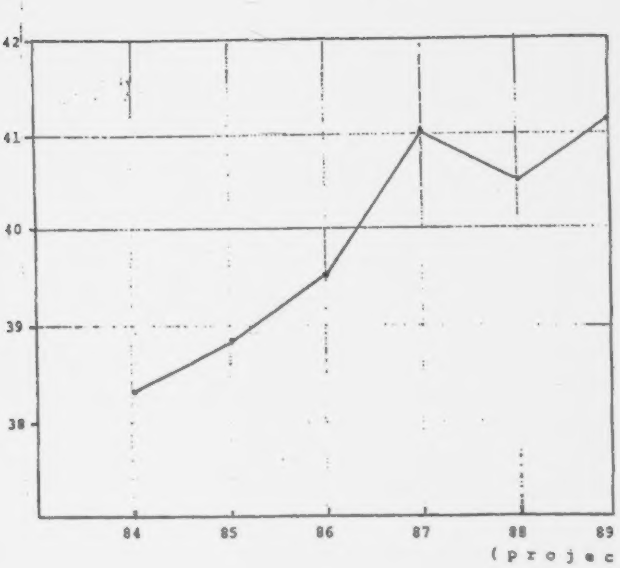
Attached hereto as Exhibits "A" and "B" are graphic representations of budgeted personnel (number of employees) and budgeted personnel costs, respectively. "Notes" to the respective graphs provide some explanatory information.

It should be noted that for several years prior to FY '85 there was very little growth in the level of local service delivery, yet the population grew by 20% from 1975 to 1985. In response to this pressure upon our resources, particularly in the field of education, specific steps were taken to meet the growing needs of the community. Several million dollars, much of it from federal capital improvement project grants, were expended in new classroom construction. Staffing was increased accordingly. As can be seen from Exhibit "C" a substantial percentage of overall growth in the government's employment levels from FY'85 to FY'87 occurred in the area of educational services and educational support services.

An example of growth in personnel costs, but not in number of personnel, can be found in the Department of Public Works. As Exhibit "D" indicates the number of personnel have decreased while costs have gone up. This trend reflects a well-thought out restructuring of department personnel by the current administration. Up to 1985 this agency's ranks were swollen by ineffective lower and middle managers and by overstaffed and unproductive blue collar divisions. Through effective personnel management techniques this situation was reversed. Retirements, terminations and intra-departmental reassignments have streamlined the operations considerably. At the same time more professional staff, such as engineers, architects and skilled supervisors have come on board to help meet the growing infrastructure needs of the territory.

BUDGETED PERSONNEL
(Number of Employees)
FY 84-FY 89

(00's)



NOTES

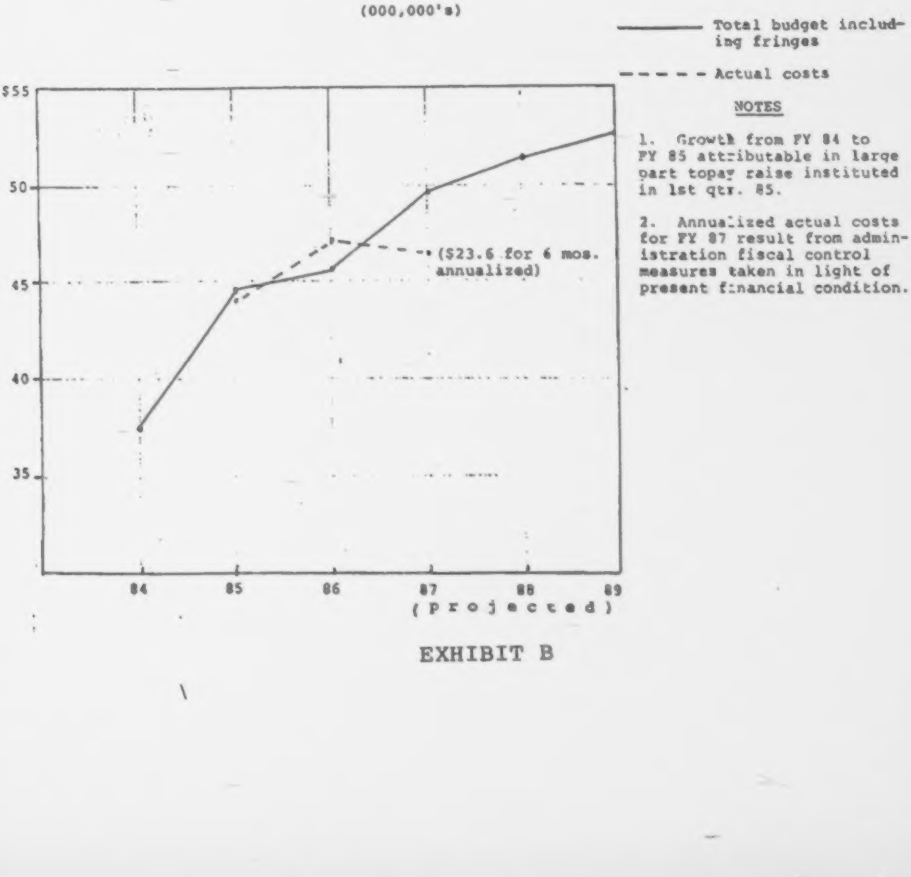
1. Of the FY 85-87 net growth in personnel amountto 221, the Dept. of Education accounted 210 in educational and support (non-administrative) position

2. Reduction of personnel in FY 88 reflects administration fiscal control measures in light of present financial condition.

EXHIBIT A

BUDGETED PERSONNEL COSTS
FY 84-FY 89

(000,000's)



($23.6 for 6 mos. annualized)

NOTES

1. Growth from FY 84 to FY 85 attributable in large part topay raise instituted in 1st qtr. 85.

2. Annualized actual costs for FY 87 result from administration fiscal control measures taken in light of present financial condition.

EXHIBIT B

	DIRECTOR'S OFF.	EDUC. SERVICES	SUPPORT SERV.
1984	14	792	158
1985	15	806	156
1986	19	863	170
1987	24	960	212
1988	20	867	194

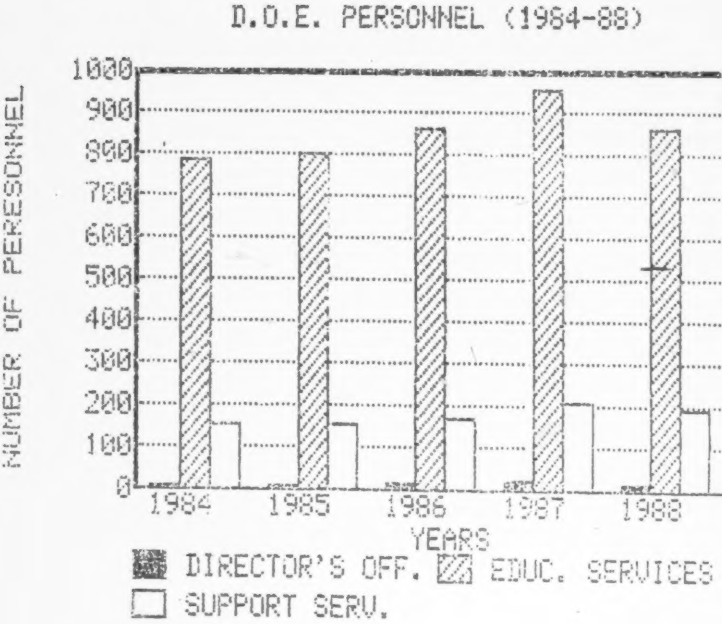
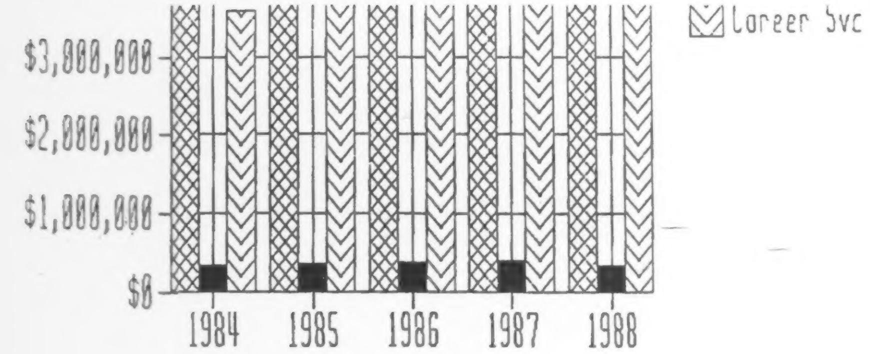


EXHIBIT C



Comparative Summary

EXHIBIT D-1

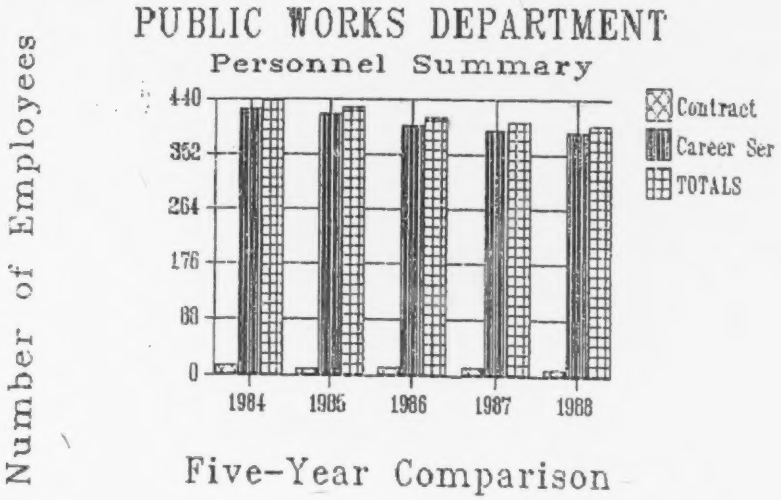


EXHIBIT D-2

2. Senator Johnston has also requested information from the territory pertaining its overall fiscal performance particularly as it relates to extraordinary revenues and fund balances.

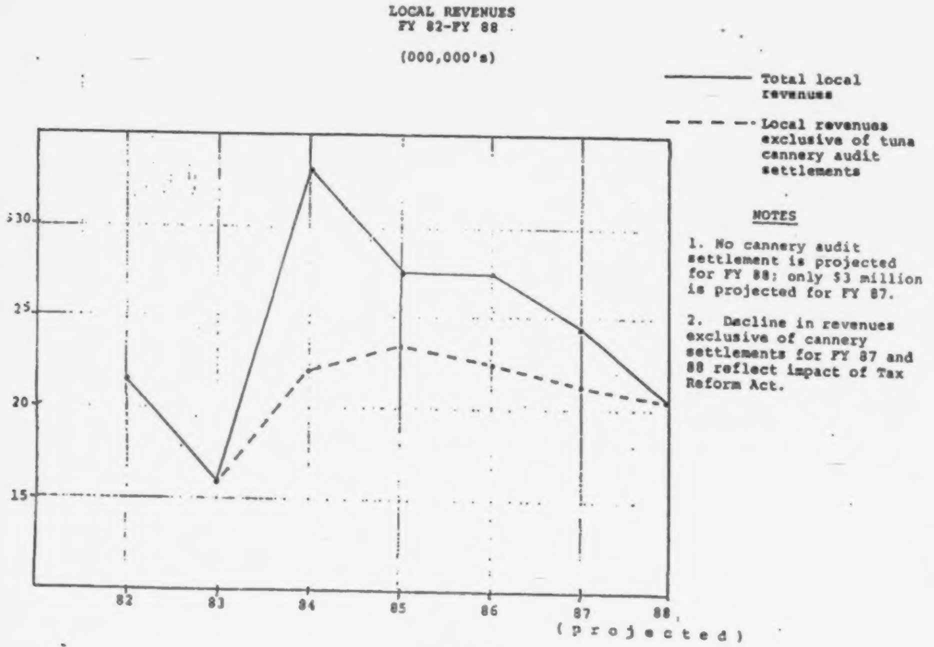
As can be seen from Exhibit "E" attached hereto, the territory received extraordinary revenue from tuna cannery audit settlements in FY '84,'85 and '86. A $3 million settlement is now forecast for FY '87; and none for FY '88.

The extraordinary revenues in FY '84, '85 and '86 resulted from the settlement of major tax litigation between the ASG and Ralston Purina ("Van Camp"). The litigation pertained an ASG audit of the taxpayers 1979-82 tax years and the amount paid over included substantial interest payments. The primary issue in dispute pertained allocation of corporate income between Samoa and the United States. With IRS agreement to the allocation formula it is not expected that future audits will yield such large sums.

The funds recovered were applied to a myriad of purposes. In FY '84 and the first quarter of FY '85 the former administration proposed and the legislature approved two supplemental appropriations calling for the disposition of $8.7 million out of the FY '84 surplus. The funds were applied to a number of CIP projects, to the economic stabilization and emergency fund, to the payment of claims and contract obligations, and to balance out FY '84 agency expenditures.

The overall impact of these appropriations, by the end of FY '85, essentially negated any fund balance benefits which might have accrued as a result of the large surplus.

Exhibits "F" and "G" reflect FY '78 -'86 fund balances and deficits, respectively. In addition to the impact of the FY '84-'85 supplemental appropriations, the FY '85 fund balance was affected by three extraordinary entries: the write-off of a $5.9 million receivable from the marine railway upon its "privatization"; the creation of a separate fund for CIP accounting which had theretofore reflected an average balance of $475,000 for the previous four years; and, the legislative reprogramming of $2.9 million from the stablization fund to capital projects.



NOTES

1. No cannery audit settlement is projected for FY 88; only $3 million is projected for FY 87.

2. Decline in revenues exclusive of cannery settlements for FY 87 and 88 reflect impact of Tax Reform Act.

EXHIBIT E

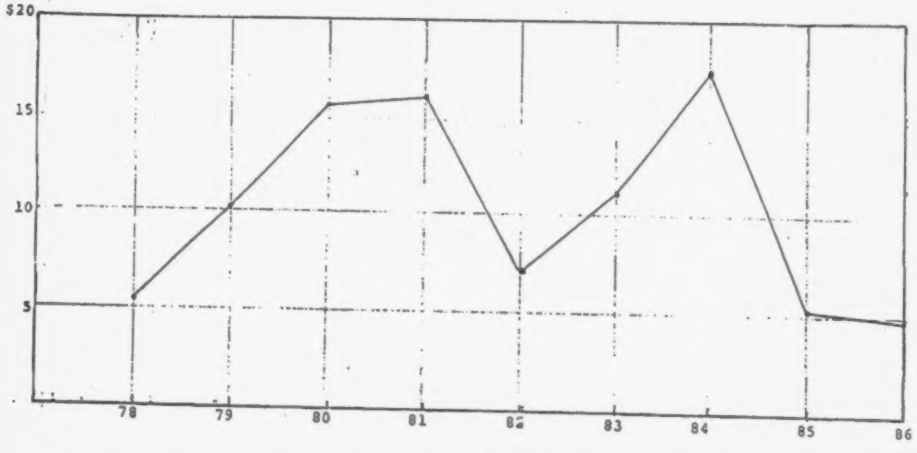


EXHIBIT F

TAX REFORM

Senator JOHNSTON. You stated that tax reform is having a significant impact on local revenues. What is the estimated annual revenue loss from tax reform?

Governor LUTALI. It's around—a little over $1 million for individual income taxes every year.

Senator JOHNSTON. American Samoa, as I understand it, has the option of delinkage from the U.S. Tax Code. Is this an option which you intend to pursue?

Governor LUTALI. We are exploring that possibility, Mr. Chairman. I think we are going to adopt that.

Senator JOHNSTON. All right. Well, I hope you will keep us advised on your decision on that.

Well, governor, it is a pleasure as always to have you here and with your leadership from American Samoa and we look forward always to having you here. Thank you very much.

Governor LUTALI. Thank you, Mr. Chairman.

Senator JOHNSTON. Mr. Speaker, do you have a statement to make also?

Mr. TUIA. Yes, I do, Mr. Chairman.

Senator JOHNSTON. Please proceed. I am sorry.

STATEMENT OF TUANA'ITAU F. TUIA

Mr. TUIA. Thank you very much, Mr. Chairman. Our statements have already been submitted and included as a part of this hearing, so I will give a summarization of our statements.

REVENUE PROJECTIONS

The only mistake we have made was an honest mistake in 1986 by submitting in our budget all of the expected revenues that we thought were going to be collected in 1988. We find now that that is not the case. This will be the effect to the Government of American Samoa. If we do not restore it, Mr. Chairman—if Congress will not restore our budget in 1988, the effect will be a general layoff, a reduction in force, of the government.

In the private sector, there will be a reduction in force and, of course, there will be a reduction in local taxes paid.

MINIMUM WAGE ISSUE

These are some of the important aspects of our responsibilities that we're undertaking that are not included in our budget. In June of this year, there will be a hearing for our minimum wage. The last time it was given it was $3.35. Naturally, we are sure that there will be some increase in minimum wage. It's not included in our budget but we will shoulder that.

OTHER COST FACTORS

Next to it is our tax reform. We've talked about that already. Our honorable governor mentioned the hurricane and that is—Mr. Chairman, FEMA estimated it's going to cost about $16 to $18 million to bring about the restoration of those islands. Twenty-five percent of that will be shouldered by our government. It's not included here. It means that the government will have to come up with $4 to $5 million.

We have not included here the inflation in American Samoa, which is about 4 percent. The governor has mentioned the increase of our population is 1.8 percent. Here we are, with the overstatement of our tax—we're not asking for new funds. All we're asking is for restoration of our funds.

We were thinking of getting some money, $5 million, from the canneries. This is not the case. Our shortfall in 1988 is projected at $9.9 million and if we do not get that $5 million, it means a $14.9 million shortfall in 1988. And that is our problem. We are asking here now, please restore our funds that we have asked for in 1988.

SUPPLEMENTAL BUDGET REQUEST

Last, Mr. Chairman, in 1987 we ask for a budget supplemental of $3.5 million. I want you to know, Mr. Chairman, that from the beginning of this year our shortfall is $9.7 million in 1987, but we have shouldered our responsibilities during the past 6 months. This is the seventh month.

The people of American Samoa are behind the governor, our governor. I am reminded of what President Roosevelt said in World War II, "People of America give until it hurts." And this is what the people of American Samoa have done. We have done it in 7 months and I'm asking you—$9.7 million, our shortfall in 1987—we're asking you only for a supplemental of $3.5 million because we are tightening our belts. We have done everything we can, but we cannot come up with the shortage of $3.5 million. I'm asking now. We are having our problems with corporate tax, but, Mr. Chairman, we are doing everything we can to carry us over in 1987. If you will give us the supplemental in 1987 of $3.5 million, we will shoulder the balance of our shortfall in 1987.

Thank you for giving us your time.

Senator JOHNSTON. I thank you, Mr. Speaker.

Mr. Speaker, the supplemental request would be very difficult under any circumstances. It is awfully late for a supplemental. This Gramm-Rudman law is very difficult on everyone. I spoke to the mayor of New Orleans yesterday and he is being cut on CDBG funds by 25 percent and it is very difficult.

RESTORATION OF FISCAL YEAR 1988 OPERATIONS FUNDING

As far as your $5 million to restore the cut in annual operations, we are very sympathetic to that and I am glad to hear that you are making progress these last 7 months, but I can tell you that Samoa has significantly increased the government payroll. Some $10 million in local reserves and revenue windfalls have been dissipated. No user fees are charged on some services such as health care.

Frankly, we feel inclined to link the restoration of the cut in those operations to some continued progress for American Samoa. We know of your difficulties and we want to respond to them, but we think some more progress must be made and we hope you can do that in terms of budget practices.

The staff would be happy to work with you on what we think is sufficient progress and we certainly do not want to further the difficulty of American Samoa. We know your difficulties. But we think there has to be a better response yet.

Governor LUTALI. Mr. Chairman, may I clarify one point?

Senator JOHNSTON. Yes.

Governor LUTALI. In addition to our individual income tax problem, we also have corporate tax problems out of the new Tax Reform Act. Thank you very much.

Senator JOHNSTON. Thank you, Governor.

Thank you, Mr. Speaker.

Mr. TUIA. Thank you again, Mr. Chairman.

GUAM

STATEMENT OF HON. BEN BLAZ, U.S. DELEGATE FROM GUAM, U.S. HOUSE OF REPRESENTATIVES

ACCOMPANIED BY:

HON. JOSEPH F. ADA, GOVERNOR
FRANKLIN QUITUGUA, SENATOR, GUAM LEGISLATURE
PEDRO SANCHEZ, SENATOR, GUAM LEGISLATURE

PREPARED STATEMENTS

Senator JOHNSTON. Next, we are pleased to have from Guam, Congressman Ben Blaz, Governor Joseph Ada, and speaker Franklin Quitugua, who is the speaker of the Guam Legislature.

Gentlemen, we are very pleased to have you. Congressman, why don't you lead off.

Mr. BLAZ. Thank you very much, Mr. Chairman. I think also with us is Senator Sanchez, the chairman of the Federal Programs on Guam and Legal Affairs, and he's on my right, here.

Mr. Chairman, knowing that you're pressed for time, let me just say that I have a statement already submitted and I would like now to request permission to add additional supporting documents to that statement if I may.

Senator JOHNSTON. Yes, indeed.

[The statements follow:]

STATEMENT OF BEN BLAZ

THANK YOU FOR THE OPPORTUNITY TO OFFER TESTIMONY ON THE TERRITORY OF GUAM'S PORTION OF THE FY 1988 BUDGET FOR THE DEPARTMENT OF THE INTERIOR.

I AM APPEARING TODAY IN SUPPORT OF GOVERNOR JOSEPH ADA'S FUNDING REQUESTS AND ASKING FOR YOUR FAVORABLE CONSIDERATION OF BADLY NEEDED CAPITAL IMPROVEMENT PROJECTS FOR GUAM. THE PROPOSED IMPROVEMENTS IN THE AREAS OF CAPITAL INFRASTRUCTURE, CLEAN WATER AND ADEQUATE DISPOSAL OF SOLID WASTES ARE CRITICAL NEEDS OF OUR COMMUNITY THAT MUST BE ADDRESSED IF WE ARE TO CONTINUE OUR PROGRESS TOWARD ECONOMIC SELF-SUFFICIENCY AND LESS RELIANCE ON THE FEDERAL GOVERNMENT FOR FINANCIAL ASSISTANCE.

AS IN PAST YEARS, THE FY 1988 DEPARTMENT OF INTERIOR BUDGET AS SUBMITTED BY THE PRESIDENT PROVIDED LIMITED FEDERAL FINANCIAL ASSISTANCE FOR CRITICALLY NEEDED CAPITAL IMPROVEMENT PROJECTS FOR GUAM. WHILE WE RECOGNIZE THE PRESIDENT'S EFFORTS TO CONTINUE THE PROGRAM OF SPENDING CUTS IN LIGHT OF THE SOARING NATIONAL DEFICIT, WE BELIEVE THAT CONGRESS HAS FOR SOME TIME RECOGNIZED THE IMPORTANCE OF THE ROLE OF THE FEDERAL GOVERNMENT IN THE DEVELOPMENT OF CAPITAL INFRASTRUCTURE IN GUAM.

GUAM IS STRATEGICALLY LOCATED IN THE WESTERN PACIFIC ON THE RIM OF THE EAST ASIAN TRADE EMPIRE. WE ARE THE AMERICAN TERRITORY CLOSEST TO THIS ENORMOUSLY VITAL AREA. WE ARE A VITAL MILITARY BASE IN THE U.S. DEFENSE SYSTEM IN THE REGION AND SERVE AN INCREASING ROLE IN AIDING AMERICAN COMMERCIAL INTERESTS IN THE PACIFIC BASIN.

CONGRESS HAS SIMILARLY RECOGNIZED THAT PUBLIC INVESTMENTS IN CAPITAL INFRASTRUCTURE CONTRIBUTE TO THE ECONOMIC DEVELOPMENT OF THE TERRITORY. THE AVAILABILITY OF MODERN PUBLIC FACILITIES SERVES AS A CATALYST TO ATTRACT NEW INDUSTRIES AND BUSINESSES, WHICH IN TURN CREATE JOBS AND OTHER SERVICES FOR THE COMMUNITY.

CAPITAL IMPROVEMENT FUNDING IS AN INTEGRAL COMPONENT IN GUAM'S EFFORTS TO BECOME ECONOMICALLY SELF-SUFFICIENT AND TO ENSURE THAT AMERICANS IN GUAM HAVE ACCESS TO THE BASIC SOCIAL AND ECONOMIC SERVICES THAT ARE AVAILABLE TO AMERICANS ELSEWHERE. INVESTING IN GUAM'S INFRASTRUCTURE IS AN INVESTMENT IN THE UNITED STATES' SECURITY AND STRATEGIC INTERESTS. GUAM STANDS AS A BEACON NOT ONLY OF AMERICAN DEMOCRACY IN THE PACIFIC BASIN BUT ALSO OF OUR VITAL INTERESTS THERE.

IN ITS REVIEW OF THE PRESIDENT'S BUDGET REQUEST OF $1.1 MILLION FOR GUAM, THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, AS WELL AS THE BUDGET COMMITTEE, FOUND THAT THE REQUEST WAS INADEQUATE TO MEET THE CRITICAL NEEDS OF THE TERRITORY AND RECOMMENDED THAT GUAM CAPITAL INFRASTRUCTURE FUNDING BE INCREASED. WE COME TO YOU FOR ASSISTANCE AND APPEAL TO YOU FOR YOUR CONSIDERATION AND SUPPORT FOR APPROPRIATIONS OF THESE CRITICALLY NEEDED PROJECTS TO AT LEAST THAT LEVER RECOMMENDED BY THE INTERIOR AND BUDGET COMMITTEES. THIS FUNDING DIRECTLY AFFECT THE HEALTH AND WELFARE OF THE CITIZENS OF THE TERRITORY OF GUAM. WE PRESENTLY CANNOT FUND THESE PROJECTS LOCALLY.

WATER PROJECTS

THE PUBLIC WATER SYSTEM ON GUAM IS IN INDESCRIBABLY POOR CONDITION. THE WATER DELIVERY AND STORAGE SYSTEM IS IN NEED OF NEW LINES AND STORAGE FACILITIES AND EXTENSIVE REPAIR TO EXISTING ONES. IN RECOGNITION OF THIS PROBLEM, CONGRESS AUTHORIZED $16.3 MILLION IN PUBLIC LAW 98-454 TO FUND THE NECESSARY IMPROVEMENTS. THE RELATIVELY SMALL AMOUNTS OF FEDERAL ASSISTANCE THAT THE DEPARTMENT OF INTERIOR HAS SPENT EACH YEAR ON IMPROVING GUAM'S

WATER INFRASTRUCTURE SUGGEST THAT IT WILL TAKE MANY MORE YEARS TO MEET GUAM'S ESSENTIAL WATER SYSTEM NEEDS. PARTLY BECAUSE OF THIS, PUBLIC LAW 99-396 AUTHORIZED THE BUREAU OF RECLAMATION TO PROVIDE PROJECT ASSISTANCE TO THE TERRITORY. WE ARE REQUESTING THE AMOUNT OF $4,163,000 FROM THE BUREAU OF RECLAMATION BE APPROPRIATED TO FUND THE EXPANSION OF THE MANGILAO RESERVOIR AND TO CONTINUE REPLACING WATERLINES IN CHALAN PAGO. THESE LINES WHICH ARE TOO SMALL TO CARRY THE PRODUCTION OF THE WELLS THERE AND AT DEDEDO AND YIGO TO THE WATER-SHORT SOUTHERN PART OF THE TERRITORY.

GUAM SOLID WASTE LANDFILL

GUAM HAS ONLY ONE LANDFILL AVAILABLE FOR DISPOSAL OF SOLID WASTE AND UNREGULATED SMALL QUANTITIES OF HAZARDOUS WASTE FROM THE CIVILIAN COMMUNITY. THE 47-ACRE "OPEN DUMP" IN ORDOT HAS BEEN IN OPERATION FOR MORE THAN 40 YEARS. THE FACILITY HAS HAD A LONG HISTORY OF OPERATIONAL AND ENVIRONMENTAL PROBLEMS. CONDITIONS AT THE LANDFILL ENDANGER WATER QUALITY AND AIR QUALITY. THE LANDFILL HAS AN ANTICIPATED ACTIVE LIFESPAN OF LESS THAN TWO (2) YEARS. EXPANSION OF THE FACILITY TO ADJACENT PRIVATELY-OWNED LAND WOULD ENABLE IT TO BE USED FOR AN ADDITIONAL 20 YEARS WHILE CONTAMINATION CONTROL AND SAFETY EFFORTS ARE UNDERTAKEN. $1,730,000 IS REQUESTED TO BE USED FOR THE DESIGN OF THE NEW LANDFILL AND TO ACQUIRE THE ADJACENT PROPERTY FOR IT.

GUAM POWER AUTHORITY LOAN SUBSIDY

WE ARE GRATEFUL FOR THE INITIATIVES TAKEN BY CONGRESS TO ENSURE THAT GUAM HAS RELIABLE, ADEQUATE, AND REASONABLE ELECTRIC POWER SERVICE AND TO PUT THE GUAM POWER AUTHORITY ON A SOUND FINANCIAL BASE. THE MOST RECENT INITIATIVE AUTHORIZED REFINANCING OF A $36 MILLION DEBT TO THE FEDERAL FINANCING BANK THAT GPA WAS AUTHORIZED TO INCUR EARLIER. THIS AUTHORIZATION INCLUDED A DEPARTMENT OF INTERIOR SUBSIDY TO COVER INTEREST COSTS ABOVE SEVEN PERCENT. I SEEK YOUR FAVORABLE SUPPORT OF THE ADMINISTRATION'S REQUEST OF $1,561,000 AS THE FY 1988 PAYMENT OF THE INTEREST RATE DIFFERENTIAL.

SECTION 30 PAYMENT

SECTION 30 OF GUAM'S ORGANIC ACT PROVIDES STATUTORY REIMBURSEMENTS TO THE TERRITORY THROUGH ADVANCED PAYMENT OF FEDERAL INCOME TAX, DUTY, AND FEE COLLECTIONS FROM FEDERALLY-EMPLOYED GUAM RESIDENTS. THESE REVENUES DERIVED FROM THE TERRITORY CONSTITUTE AN OBLIGATION OF THE FEDERAL GOVERNMENT TO GUAM PRIOR TO THEIR COLLECTION. THE PROCEDURE ESTABLISHED UNDER SECTION 30 OF THE ORGANIC ACT OF GUAM PROVIDES THAT THE SECRETARY OF TREASURY, PRIOR TO THE COMMENCEMENT OF ANY FISCAL YEAR, SHALL REMIT TO THE GOVERNMENT OF GUAM THE AMOUNT OF DUTIES, TAXES, AND FEES WHICH GUAM AND THE DEPARTMENT OF INTERIOR HAVE ESTIMATED WILL BE COLLECTED IN OR DERIVED FROM THE TERRITORY. AT THE END OF THE FISCAL YEAR, THE TREASURY DEDUCTS OR ADDS TO THE AMOUNTS ACTUALLY COLLECTED DURING THE PRIOR YEAR. THESE COLLECTIONS ARE NOT APPROPRIATIONS FROM THE FEDERAL GOVERNMENT.

INCLUDED IN THE ESTIMATES FOR FY THE 1988 PAYMENT TO THE U.S. TERRITORIES IS THE $44 MILLION ESTIMATED TO BE COLLECTED FROM GUAM DURING THE FISCAL YEAR. I FULLY SUPPORT THIS REQUEST.

AMERICAN PREFERENCE

IN ORDER TO PROVIDE MORE JOBS FOR THE AMERICAN CITIZENS IN GUAM AND TO ENSURE THAT FEDERAL CAPITAL IMPROVEMENT FUNDS REMAIN IN THE TERRITORY'S ECONOMY I ASK YOU TO HELP ME PHASEOUT THE OVER USE OF ALIEN WORKERS ON ALL SUCH CAPITAL PROJECTS. OVER THE DECADES, SINCE THE END OF WORLD WAR II, GUAM'S CONSTRUCTION

ECONOMY HAS BEEN DEPENDENT ON THE USE OF ALIEN LABOR TO THE DETRIMENT OF OUR AMERICAN WORKERS. CONSTRUCTION MONIES IN THE FORM OF WAGES AND PROFITS ARE CONSEQUENTLY SENT OUT OF GUAM BY FOREIGN WORKERS AND COMPANIES INSTEAD OF CIRCULATING THROUGH THE ISLAND'S INSULAR ECONOMY.

GUAM IS DOUBLY DISADVANTAGED BY THIS PRACTICE. FIRST, GUAMANIAN COMPANIES LOSE THESE PROJECTS AND YOUNG GUAMANIANS ARE NOT HIRED FOR THE JOBS. SECOND, THE PROJECT FUNDS LEAVE THE TERRITORY WITHOUT EVER BEING SPENT FOR HOMES, GROCERIES AND SERVICES. THE TIME HAS COME TO ENSURE THAT THE MONEY SPENT BY CONGRESS TO STIMULATE GUAM'S ECONOMY ACTUALLY STAYS IN GUAM AND STAYS IN THE UNITED STATES. THIS CAN BE ACCOMPLISHED MOST SIMPLY BY REQUIRING THAT THE LABOR USED ON THESE CAPITAL IMPROVEMENT PROJECTS MUST BE AMERICAN. I AM PROVIDING THIS COMMITTEE A COPY OF THE LANGUAGE TO ACCOMPLISH THIS GOAL FOR YOUR CONSIDERATION AND ASK YOU TO GIVE IT YOUR SUPPORT. THIS AMERICAN LABOR REQUIREMENT WILL MULTIPLY THE BENEFITS OF THESE CAPITAL PROJECTS TO BOTH GUAM AND OUR NATION'S ECONOMY AND LEAD MORE QUICKLY TO A SELF-SUFFICIENT GUAM.

THANK YOU.

SEC. _____. PROHIBITION OF FUNDING FOR CAPITAL IMPROVEMENT PROJECT CONTRACTS ON GUAM.

(a) No funds appropriated pursuant to authorizations made by this Act may be expended with respect to any contract for a capital improvement project on Guam if any work is carried out on such project by any person who is a nonimmigrant described in section 101 (a)(15)(H)(ii) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)(ii)).

(b) The provisions of this section shall apply to contracts entered into, amended, or otherwise modified on or after the date of the enactment of this Act.

STATEMENT OF JOSEPH F. ADA

THANK YOU FOR GIVING ME THIS OPPORTUNITY TO SPEAK BEFORE YOU TODAY. CONGRESSMAN BEN BLAZ, SPEAKER FRANKLIN QUITUGUA AND SENATOR PEDRO SANCHEZ JOIN ME IN THIS UNIFIED EFFORT IN PRESENTING GUAM'S BUDGET REQUEST.

AS YOU ARE AWARE, OUR ADMINISTRATION IS STILL A NEW ONE, HAVING JUST REACHED OUR HUNDREDTH DAY. DURING THIS FIRST HUNDRED DAYS, WE HAVE UNCOVERED MANY PROBLEMS OF LONG STANDING IN OUR TERRITORY. SIMULTANEOUSLY, WE HAVE OUTLINED MANY SOLUTIONS AND NEW DIRECTIONS WE MUST TAKE IN OUR TERRITORY TO GUARANTEE THE ABATEMENT OF THESE PROBLEMS AND TO PREVENT THEM FROM RECURRING IN THE FUTURE.

UPON ASSUMING OFFICE, WE INHERITED A GENERAL FUND DEFICIT WHICH WILL REACH MORE THAN $170 MILLION BY THE END OF THIS FISCAL YEAR. WE HAVE ALSO PUT INTO PLACE A PLAN WHICH, IF APPROVED BY THE GUAM LEGISLATURE, WILL REDUCE OUR DEFICIT BY MORE THAN $50 MILLION

OVER THE NEXT FOUR YEARS, WITHOUT DRIVING OUR GOVERNMENT FURTHER AND FURTHER INTO DEBT. WE HAVE NOT ERADICATED THIS PROBLEM, YET THERE IS PROGRESS.

WHEN I ASSUMED OFFICE IN JANUARY, I DISCOVERED A GOVERNMENT WHICH HAD GROWN TOO LARGE, TOO CUMBERSOME, TOO UNWIELDY, AND TOO EXPENSIVE TO PROVIDE OUR PEOPLE WITH THE QUALITY SERVICES THEY DESERVE, AT A PRICE THEY CAN AFFORD. IN THE FIRST 100 DAYS, WE HAVE TAKEN STEPS WHICH HAVE TRIMMED AT LEAST $12 MILLION OFF THE COST OF THE GOVERNMENT ON GUAM FOR THIS FISCAL YEAR ALONE AND ARE STRIVING TO TRIM MORE. WE HAVE IMPLEMENTED AN AUSTERITY PROGRAM THAT IS WORKING, A REDUCTION IN HIRING AND AN EMPLOYMENT ATTRITION PROGRAM. WE ARE PROPOSING A GOVERNMENT-WIDE REORGANIZATION THAT WILL REDUCE THE NUMBER OF DEPARTMENTS AND AGENCIES IN OUR OVERSIZED GOVERNMENT.

THERE IS A NEW SPIRIT OF COOPERATION ON GUAM, A CAN-DO SPIRIT THAT DECLARES BOLDLY THAT WE WILL SOLVE THE LONG-STANDING PROBLEMS WHICH HAVE THREATENED US AS A TERRITORY FOR SO LONG. IT IS IN THIS SPIRIT OF COOPERATION THAT WE APPEAR BEFORE YOU TODAY. WE ARE HERE TO APPEAL TO YOU TO JOIN US ON THE ROAD TO ECONOMIC SELF-SUFFICIENCY AND RESPONSIBLE FISCAL MANAGEMENT.

WE COME TO YOU WITH OUR PROGRAM TO CURB THE EXCESSES OF THE PAST, TO REDIRECT OUR TERRITORY FROM THE PATH OF INCREASING DEBT TO ONE OF INCREASING PROSPERITY.

IN SPECIFIC, OUR PROGRAM INCLUDES THE COST-CUTTING MEASURES OUTLINED PREVIOUSLY, AS WELL AS OTHER MEASURES SUCH AS A PHASING IN THE IMPLEMENTATION OF PAY ADJUSTMENTS ALREADY PROMISED TO OUR GOVERNMENT WORKFORCE BY LAW. WE ARE COMMITTED TO MAINTAINING COSTS AND COMMITTED TO A NO GROWTH BUDGET FOR OPERATIONS OVER THE NEXT FOUR YEARS.

AND AS ANY SUCCESSFUL DEFICIT REDUCTION INITIATIVE MUST INCLUDE A REVENUE GENERATING SIDE OF THE EQUATION, ESPECIALLY IN CIRCUMSTANCES AS SEVERE AS OURS, WE ARE PROPOSING A REVENUE ENHANCEMENT PACKAGE OF TAX INCREASES WHICH WILL INFUSE MORE THAN $35 MILLION INTO OUR AILING GENERAL FUND. IN PART, THIS INCREASE IN LOCAL TAXES WILL OFFSET THE NEGATIVE IMPACT THE TAX REFORM ACT OF 1986 HAS HAD ON OUR FINANCIAL CONDITION.

IN THE PAST, THE ANSWER TO SHORTFALLS WAS TO BORROW. BUT BY DOING THIS, WE SIMPLY MORTGAGED THE FUTURE OF OUR YOUNG GENERATIONS TO PAY FOR OUR EXCESS SPENDING. WE MAY HAVE TO PURSUE SOME BORROWING TO GET US OUT OF THIS FISCAL YEAR, BUT WE MUST NEVER AGAIN BORROW MONEY TO PAY FOR OUR DAY TO DAY OPERATIONS. WE MUST CONCENTRATE ALL OF OUR FINANCING ABILITY IN THE PROPER AREA, THE IMPROVEMENT OF OUR BASIC TERRITORIAL INFRASTRUCTURE. WE MUST MAKE INVESTMENTS IN OUR WATER SYSTEM, OUR WASTE DISPOSAL SYSTEMS, OUR ROADS, OUR SCHOOLS AND OUR HOSPITAL. AS WE ARE MAKING PROGRESS IN THESE AREAS, WE ARE ASKING CONGRESS TO JOIN US IN FULLY REALIZING OUR GOALS.

WHILE WE ARE WORKING TO IMPROVE OUR GOVERNMENT'S FINANCIAL SITUATION, OUR PRIVATE SECTOR ECONOMY IS FLOURISHING. WE HAVE SEEN ON GUAM AN UNPRECEDENTED BOOM IN CONSTRUCTION OF NEW HOMES, NEW HOTELS, NEW DEPARTMENT STORES AND NEW BUSINESSES. THE EMERGENCE OF THE PACIFIC BASIN AS A NEW ECONOMIC CENTER HAS BEEN A GREAT BOON TO OUR TERRITORY, BUT THAT BOON IS THREATENED BY THE INADEQUATE STATE OF OUR INFRASTRUCTURE. I KNOW OF PLANS TO BUILD SEVERAL ADDITIONAL HOTELS AND HOUSING DEVELOPMENTS ON OUR ISLAND, ALL OF WHICH ARE THREATENED BY INSUFFICIENT WATER, SEWER AND ROAD SYSTEMS.

IT IS FOR THIS REASON THAT WE COME BEFORE THIS COMMITTEE. WE NEED YOU TO HELP US PROMOTE OUR ECONOMY BY DEVELOPING A TWENTIETH CENTURY INFRASTRUCTURE. WE NEED FEDERAL FINANCIAL ASSISTANCE FOR OUR WATER SYSTEM, OUR LANDFILL AND OUR HOSPITAL.

IN HIS BUDGET REQUEST, THE PRESIDENT REQUESTED ONLY $1.1 MILLION FOR THE TERRITORY FOR FY 1988. IN A WORD, THIS IS INSUFFICIENT. OUR PROPOSAL TO THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS INCLUDED THE FOLLOWING:

WE REQUESTED APPROPRIATIONS OF $9.713 MILLION FOR WATER PROJECTS, $4.3 MILLION FOR THE GUAM LANDFILL AND $2.2 MILLION FOR THE PUBLIC HOSPITAL. AFTER DELIBERATION, THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS AND THE BUDGET COMMITTEE RECOMMENDED AN APPROPRIATION OF $5.8 MILLION FOR WATER PROJECTS AND FOR OUR LANDFILL. WE ARE VERY APPRECIATIVE OF THE CONCERN THE COMMITTEES HAVE DEMONSTRATED FOR THE NEEDS OF OUR TERRITORY. I HAVE ATTACHED THE CAPABILITY STATEMENTS IN SUPPORT OF EACH OF THESE PROJECTS.

MR. CHAIRMAN, THE COMMITTEE ON THE BUDGET HAS RECOMMENDED TO YOU THAT THE TERRITORY OF GUAM RECEIVES THE FOLLOWING:

1. THAT $44 MILLION IN FEDERAL TAXES BE REIMBURSED TO GUAM AS MANDATED BY SECTION 30 OF GUAM'S ORGANIC ACT.

2. THAT $4,163,000 FROM THE BUREAU OF RECLAMATION BE APPROPRIATED TO FINANCE THE CONSTRUCTION OF AN ADDITIONAL RESERVOIR AND CONTINUE TO IMPROVE OUR WATER TRANSMISSION SYSTEM.

3. THAT $1,730,000 BE APPROPRIATED TO BEGIN THE DESIGN AND ACQUIRE THE NECESSARY PROPERTY TO EXPAND OUR TERRITORY'S ONLY LANDFILL-- WHICH SOON WILL NO LONGER BE ABLE TO ACCEPT ANYMORE SOLID WASTE.

4. THAT $1,561,000 BE APPROPRIATED TO SUBSIDIZE THE INTEREST COSTS RELATED TO A DEBT INCURRED BY THE GUAM POWER AUTHORITY TO IMPROVE THE TERRITORY'S POWER SYSTEM.

I AM SEEKING YOUR SUPPORT AND FAVORABLE CONSIDERATION OF THE RECOMMENDATION OF THE COMMITTEE OF THE BUDGET.

MR. CHAIRMAN, THERE ARE OTHER MATTERS I FEEL COMPELLED TO BRING TO YOUR ATTENTION. THOUGH THE RENOVATION DESIGN OF OUR HOSPITAL IS COMPLETED AND CONSTRUCTION WILL BEGIN SHORTLY, WE HAVE FOUND THAT THE EQUIPMENT NEEDS OF THE EXISTING FACILITY ARE STAGGERING. IN THE FUTURE, WE WILL BE SEEKING SUPPORT FOR OUR EFFORT TO REPAIR THE BUILDINGS IN WHICH OUR CHILDREN ARE BEING EDUCATED. ALSO, WE WILL BE WORKING IN CONGRESS TO ENSURE THAT GUAM'S SCHOOL SYSTEM IS ALLOCATED A FAIR AMOUNT OF IMPACT AID FOR THE EDUCATION WE ARE PROVIDING TO OUR MILITARY DEPENDENTS.

AND FINALLY, WE ASK YOUR ASSISTANCE IN THE AREA OF DETERMINING A NEW POLITICAL STATUS FOR THE TERRITORY OF GUAM. IN AUGUST OF THIS YEAR, THE VOTERS OF GUAM WILL BE GIVEN THE OPPORTUNITY TO VOTE ON A DRAFT COMMONWEALTH ACT FOR THE TERRITORY. UPON THE CONCLUSION OF THIS PLEBISCITE, AND IN CONSIDERATION OF THE WILL OF OUR PEOPLE AS EXPRESSED THROUGH THEIR VOTE, WE SHALL SUBMIT DRAFT LEGISLATION ON THE COMMONWEALTH TO CONGRESS. WE ON GUAM LOOK AT THIS SELF-DETERMINATION PROCESS AS A MEANS OF BUILDING A STRONGER RELATIONSHIP WITH THE FEDERAL GOVERNMENT, A RELATIONSHIP BUILT UPON A SOLID FOUNDATION OF MUTUAL RESPECT AND TRUST. WE ALSO ARE LOOKING AT THIS ACT AS A MEANS OF UNLOCKING THE STILL-HIDDEN ECONOMIC POTENTIAL OF OUR TERRITORY, AND BY SO DOING, BUILDING AN AMERICAN BASTION OF DEMOCRACY AND ECONOMIC SELF-SUFFICIENCY -- AN INTERNATIONAL SHOWCASE OF WHAT OUR AMERICAN SYSTEM CAN ACCOMPLISH -- IN THE WESTERN PACIFIC.

Territory of Guam

Capability Statements
Capital Improvement Program
Fiscal Year 1988

INTRODUCTION

The U.S. Congress has for some time recognized the importance of the role of the United States in the infrastructure development of Guam. Such a policy embraces national security and economic development and ensures that every American has access to the basic social and economic services that are available. Congress has recognized that the provision of infrastructure in the short-run will enable the Territorial Government to assume a greater share in the responsibility for the financing of other capital improvements in the long-run. Congress has also indicated that cutbacks in planned infrastructure financing is counterproductive and is contradictory to Congressional priorities to fund infrastructure development.

Public investments in facilities contribute to the economic development of communities. The availability of modern public facilities serves as a catalyst to attract new industries and businesses, which in turn create jobs and other services for the community. Capital improvement funding is an integral component in Guam's efforts to become econimically self-sufficient and to reduce its overall dependence upon the Federal Government for financial assistance.

PROJECT COST BREAKDOWN AND PRIORITIES

The following is the Territory's capital improvement project priorities and project cost breakdown for Fiscal Year 1988. Some of the projects have received authorizations, while others have not. Both types of projects are included as the Territory requires their funding in Fiscal Year 1988 in order to ensure needed public services are provided and in order to promote the island's economic development.

Priority	Project Title	Requested Amount
1	Water System Improvements	$4,163,000*
2	Solid Waste Landfill Facility	4,300,000
3	Water System Improvements	5,550,000*
4	Guam Memorial Hospital	2,200,000
	TOTAL	$ 16,213,000

*Authorized

CAPABILITY STATEMENT:	WATER SYSTEM IMPROVEMENTS
AGENCY/BUREAU:	Department of the Interior/Territorial and International Affairs
APPROPRIATION:	Administration of Territories (for Guam)
ACTIVITY:	Territory of Guam
PROPOSED AMENDMENT:	To Appropriate $4,163,000 for Water System Improvements

Current Program:

The Public Utility Agency of Guam provides potable water for the entire civilian population of the island. The major source of water lies in the Northern Guam aquifer. Transmission of potable water to remote southern villages constitutes the major challenge. In addition, the water transmission and water storage reservoirs are undersized and badly in need of upgrading.

A water facilities master plan was completed for Guam in August 1979. The plan outlines critical capital improvements for the water supply system to adequately serve the island. With the aid of Department of Interior Grants (attached) and local appropriations, progress has been made in completing many of the improvements recommended in the master plan. A total of $68.9 million in capital improvements are recommended (1980 cost level). A summary of Department of Interior grant funds follows:

Fiscal Year	Funds in $ Million
1978	1.200
1979	8.118
1980	3.175
1981	5.220
1982	2.294
1983	2.567
1984	-0-
1985	-0-
1986*	2.954
1987	3.500
TOTAL	29.028

*Gramm-Rudman level per DOI sequester.

In Fiscal Year 1985, the Territory received an authorization of $16.3 million for water system improvement projects per a Five Year CIP Plan. This plan has been reviewed and updated annually to adjust water improvement project schedules based on actual appropriations, reprogramming and subsequent shortfalls in funding. The latest review is reflected in this submission and takes into consideration the following planning factors:

- An outstanding authorization of $ 9,713,000.
- The continuing need to ensure a balanced mix of production, transmission, storage and distribution projects.
- Projected shortfall in appropriation in FY 87 and FY 88 to fully fund top priority projects.

Amount Budgeted FY 1988: -0-

Feasibility:

The proposed projects are consistent with the Water Facilities Master Plan. These improvements would address water storage and transmission and distribution pipelines. All areas require additional improvement. There are currently no appropriations addressing these projects.

The proposed projects follow with detailed information:

I. MAIMAI - CHALAN PAGO WATER TRANSMISSION LINE - PHASE II*

Along the Maimai Road in Chalan Pago, there are at present (7) deep wells producing 1,200 gallons per minute of water. This amount of water is restricted through the existing 4-, 6-, and 8-inch water lines in the area. As a result, pressure in the pipeline increases and the production of the wells is greatly reduced. Constructing a 16-inch pipeline will relieve the restriction in this area, and therefore increase the water production of the seven existing wells. The new 16-inch pipeline also provides the additional transmission capacity for water exported from the Dededo and Yigo well fields via Route 15.

This project involves the design and construction of 20,000 linear feet of 16-inch pipeline along Maimai Road from Route 10 and along Route 4 to the intersection of Route 4 and Route 10 connecting to the existing 16-inch pipeline leading to the southern villages.

The entire amount required for the work would be included in the grant. A breakdown of project cost follows:

Construction	$ 1,950,000
Equipment	-0-
Land Acquisition and Site Preparation:	60,000
Planning/Design:	190,000
Construction Management	190,000
Contingencies:	$ 260,000
TOTAL PROJECT COST (FY 1987)	$ 2,650,000

*Phase I covers FY 87 funded project of $3,500,000 which involves the design and construction of 16-inch pipeline along Route 15 to Route 10.

II. MANGILAO RESERVOIR

It is projected that by the Year 2000, an additional 17 million gallons (MG) of water storage will be required. This project will provide the necessary storage capacities needed to provide adequate water services to the south. Involved will be the construction of a 1-million gallon reservoir adjacent to the existing reservoir in Mangilao and 4,120 feet of 16-inch connecting pipeline.

The entire amount required for this work would be included in the grant. A breakdown of project costs follows:

Construction:	$ 1,100,000
Equipment:	-0-
Land Acquisition and Site Preparation:	60,000
Planning/Design:	110,000
Construction Management:	110,000
Contingencies:	133,000
TOTAL PROJECT COST (FY 1987)	$ 1,513,000

(Note: $1.1 Million of the total project cost is included in DOI's budget request for Fiscal Year 1988)

Capability:

The Public Utility Agency of Guam does not have the necessary revenue to fund water projects. Funding of the outstanding authorization, as outlined above, in terms of our priority water improvement projects is critical to ensuring an adequate water system for the island.

Outlay Effect FY 1988:

$4,163,000

CAPABILITY STATEMENT:	DEVELOPMENT OF GUAM'S SOLID WASTE LANDFILL FACILITY TO MEET RCRA SUBTITLE D. CRITERIA
Agency/Bureau:	Department of the Interior/Territorial and International Affairs
Appropriation:	Administration of Territories (for Guam)
Activity:	Territory of Guam
Proposed Amendment:	To Authorize and Appropriate $4,300,000 for a Solid Waste Landfill Facility

Current Program:

Background

Guam, the westernmost Territory of the United States, is the largest and most populated island of the Mariana Archipelago. Guam's total population increased 25 percent from 84,996 in 1970 to 105,979 in 1980. The growing resident and transient populations, changes in lifestyle, and increases in commercial and industrial activities have influenced the amount and composition of solid and hazardous waste generated on Guam. Since Guam has a limited land mass, problems of inadequately managed waste can quickly and directly affect both residents and tourists alike.

Guam has only one landfill available for disposal of solid waste and unregulated small quantities of hazardous waste from the civilian community. It is presently a 47-acre site located within the Municipality of Ordot-Chalan Pago approximately 2.5 miles south of Agana. The landfill has been in operation for over 40 years. The landfill was used by the Japanese during their occupation of Guam during World War II and by the U.S. military after their takeover until the mid 1950's. The Government of Guam has been responsible for operating the landfill since then. No accurate records exist detailing the type of waste disposed of at this landfill site; however, it is suspected that military materials including unexploded ordinance and other hazardous waste were dumped there as a result of military operations. Major typhoons struck Guam in 1963 and 1976; and according to reports, numerous damaged power transformers were dumped at the Landfill without regard to the possibility of their containing PCB contaminated oils. No reports have been registered of any explosions at the landfill site, although underground waste fires have occurred, some of more than 9 months in duration. In the recent past, the Department of Defense sold surplus or unwanted materials in bulk through bid-sale auctions to the public. These bulk lots contained hazardous material items, and reports indicate that some of these hazardous items have been dumped at the Landfill.

With current management practices, the anticipated active lifespan of the landfill is less than 2 years.

General Nature of Problem

Guam's Landfill has had a long history of operational and environmental problems. The landfill is classified as an "open dump" under the Resource Conservation and Recovery Act's (RCRA) Open Dump Inventory. The landfill is in violation of local solid waste management statutes and regulations. Conditions at the landfill endanger water quality and air quality because of the non-existence of siltation or retention basins; lack of leachate collection and treatment systems; frequent underground fires; and ineffective dust control. Safety hazards include uncontrolled scavenging activities, lack of on-site access roads, and no restrictions on what can be dumped in the landfill. Because there are no designated toxic waste disposal sites on-island, industrial wastes from unregulated small quantity generators are probably entering the landfill.

The Landfill is located above a relatively impermeable volcanic formation, and it is close to a fault which separates this volcanic formation from the limestone area to the north, which is the sole source aquifer for the island. Leachate streams emerge from several locations in the landfill and feed into the adjacent Lonfit River. The Lonfit River is a tributary to the Pago River which subsequently enters Pago Bay. The Pago River and Bay Complex are utilized for fishing and recreational activities. A major concern has been the potential for the leachate to transport hazardous constituents from the landfill to these surface waters, which could result in adverse health and environmental effects. The Guam Environmental Protection Agency has been routinely monitoring surface waters of the Lonfit River for toxic pollutants from the landfill. To date, these pollutants have not been detected in sufficient concentrations to significantly affect surface water quality. Algal booms and fish kills have occurred downstream of the landfill, but no direct evidence has been found to link these occurrences to pollutants leaching from the landfill.

As a result of these environmental concerns, the Landfill has been placed on the National Priority List since 1982 as a Superfund candidate. At that time, a remedial investigation by U.S. EPA contractors recommended that no hazardous waste associated remedial action was warranted. However, it was concluded that the potential does exist for the landfill to become a major source of environmental problems due to: (1) the presence of waste previously buried there; (2) the continued acceptance of waste without restrictions; (3) landfill design; and (4) management practices. It was also concluded that leaching of hazardous waste from the landfill and subsequent contamination of Pago Bay is a concern, as well as the potential for serious injury or loss of human life and property because of uncontrolled venting of landfill methane gas and ignition and explosion.

Land Acquisition

The project will entail the purchase of private land in order to permit a sanitary landfill to be developed and constructed which has a lifespan of at least 20 years. The acquisition of land is also necessary to have sufficient ground cover.

Capital Equipment

The purchase of basic heavy equipment for the efficient operation of the landfill is also necessary. A bulldozer is necessary as it must be exclusively committed to the landfill 9 hours per day, everyday. Its primary function will be to spread and compact 200 to 400 tons of waste each day. It will also spread and compact about 125 cubic yeards of cover material. Periodically, it will be used to cut the trench and/or grade the working area for deposit of the next refuse increment. After storms, it will be also used for landfill road maintenance.

Other equipment includes a roll-off container to hold the delivery of after-hour refuse. A front-loader is needed to pick up cover material and deliver it to the daily working area. A scale is needed to enable daily scale weight records on vehicles delivering refuse to be maintained. Such recordkeeping is necessary for the overall quality control at the landfill. Lastly, a water truck is needed to keep down dust pollution.

MSW Energy Recovery Plant

To extend the life of Guam's sanitary landfill, a Municipal Solid Waste (MSW) energy-recovery plant is necessary. An MSW energy-recovery plant converts solid waste into a form of fuel. The establishment of a Waterwall Combustion System with Massburning which generates steam that can drive tubo generators to produce electricity on Cabras Island has been proposed. The Territory is currently exploring the financial feasibility of establishing an energy-recovery plant. In the event an MSW energy-recovery plant becomes a reality, a sanitary landfill is still required to accommodate noncombustible materials, materials too large for the plant, sludge from the wastewater treatment plants, and residual from the plant. The plant, however, will more than double the usable life of the landfill.

Amount Budgeted FY 1988:

-0-

Feasibility:

The construction of a sanitary landfill which meets RCRA subtitle D Criteria consists of the following components:

1. Land Acquisition - The purchase of privately owned land will permit its lifespan to be 20 to 40 years (double with MSW energy-recovery)
2. Site Improvements - This includes relocation of off-site water line; of off-site roads, construction of internal roads, and asphalting of entrance road; construction of an on-site drainage system; construction of scalehouse/gatehouse and maintenance shed; and landscaping.
3. Heavy Equipment Purchase - The purchase of a bulldozer, roll-off container, front-loader,,water truck, and scale are necessary for the efficient operation of the landfill.
4. Environmental Controls - This includes the monitoring and control of leachate and methane gas.

The cost for the Sanitary Landfill and equipment, that are integral part of the Landfill follows:

A/E Design	$ 50,000
Land Acquisition	1,680,000
Site Improvements	1,870,000
Equipment	500,000
Environmental Controls	100,000
Supervision & Overhead	100,000
TOTAL	4,300,000

Capability:

No local sources of funding are available for developing and constructing a landfill which meets RCRA Subtitle D criteria. Should a policy of user fees be established, the collected fees will be used solely for the landfill's operation.

Outlay Effect FY 1988; $ 4,300,000

CAPABILITY STATEMENT: WATER SYSTEM IMPROVEMENTS

AGENCY/BUREAU: Department of the Interior/Territorial and International Affairs

APPROPRIATION: Administration of Territories (for Guam)

ACTIVITY: Territory of Guam

PROPOSED AMENDMENT: To Appropriate $5,550,000 for Water System Improvements

Current Program:

The Public Utility Agency of Guam provides potable water for the entire civilian population of the island. The major source of water lies in the Northern Guam aquifer. Transmission of potable water to remote southern villages constitutes the major challenge. In addition, the water transmission and water storage reservoirs are undersized and badly in need of upgrading.

A water facilities master plan was completed for Guam in August 1979. The plan outlines critical capital improvements for the water supply system to adequately serve the island. With the aid of Department of Interior Grants (attached) and local appropriations, progress has been made in completing many of the improvements recommended in the master plan. A total of $68.9 million in capital improvements are recommended (1980 cost level). A summary of Department of Interior grant funds follows:

Fiscal Year	Funds in $ Million
1978	1.200
1979	8.118
1980	3.175
1981	5.220
1982	2.294
1983	2.567
1984	-0-
1985	-0-
1986*	2.954
1987	3.500
TOTAL	29.028

*Gramm-Rudman level per DOI sequester.

In Fiscal Year 1985, the Territory received an authorization of $16.3 million for water system improvement projects per a Five Year CIP Plan. This plan has been reviewed and updated annually to adjust water improvement project schedules based on actual appropriations, reprogramming and subsequent shortfalls in funding. The latest review is reflected in this submission and takes into consideration the following planning factors:

- An outstanding authorization of $ 9,713,000.
- The continuing need to ensure a balanced mix of production, transmission, storage and distribution projects.

- Projected shortfall in appropriation in FY 87 and FY 88 to fully fund top priority projects.

Amount Budgeted FY 1988: -0-

Feasibility:

The proposed projects are consistent with the Water Facilities Master Plan. These improvements would address water storage and transmission and distribution pipelines. All areas require additional improvement. There are currently no appropriations addressing these projects.

The proposed projects follow with detailed information:

I. REPLACEMENT OF WATER DISTRIBUTION LINES IN AGAT

Approximately 60 percent of the water delivered to Agat and Santa Rita is lost. This high percentage of loss is because the water lines were installed by the military in the late 1940's and have surpassed their useful service life.

This project will involve the design and construction of approximately 64,000 linear feet of 6- and 8-inch water lines. These will include relocation and/or replacement of some fire hydrants and other water system appurtenances.

The entire amount required for this work would be included in the grant. A breakdown of project costs follows:

Construction:	$ 3,500,000
Equipment:	-0-
Land Acquisition and Site Preparation:	-0-
Planning/Design:	350,000
Construction Management:	350,000
Contingencies:	500,000
TOTAL PROJECT COST (FY 1987)	$ 4,700,000

II. GAYINERO-TAKANO WATER TRANSMISSION LINE

Excess water from the Yigo area is delivered to Mangilao through the Route 15 water line. This project will replace an 8-inch water line in Yigo with a 12-inch line, making it easier to deliver excess water to the south. The project involves the design and construction of 7,750 linear feet of 12-inch pipeline along Gayinero Road from Marine Drive, then along Takano Subdivision to Route 15.

The entire amount for this work would be included in the grant. A breakdown of project costs follows:

Construction:	$ 640,000
Equipment:	-0-
Land Acquisition and Site Preparation:	-0-
Planning/Design:	64,000
Construction Management:	64,000
Contingencies:	82,000
TOTAL PROJECT COST (FY 1987)	$ 850,000

Capability:

The Public Utility Agency of Guam does not have the necessary revenue to fund water projects. Funding of the outstanding authorization, as outlined above, in terms of our priority water improvement projects is critical to ensuring an adequate water system for the island.

Outlay Effect FY 1988:

$5,550,000

PUBLIC UTILITY AGENCY OF GUAM
GOVERNMENT OF GUAM

HISTORICAL SUMMARY OF DOI WATER SYSTEM GRANTS

PERIOD ENDING: January 31, 1987

FUNDING SOURCE: U.S. Department of Interior

Sheet 1 of 9

PROJECT TITLE AND DESCRIPTION	APPROPRIATED AMOUNT	JOB ORDER NO.	PROJECT STATUS	
			DESIGN	CONSTRUCT
			STARTED	STARTED
		PROJECT NUMBER	COMPLETED	COMPLETED
FY 1978 - US P.L. 95-134 Emergency Generators for Deep Wells	$1,092,000	78412104	2-28-80	01-12-81
		W80-005-DOI	6-18-80	09-23-83
FY 1979 - US P.L. 95-465 A. Water System Northern District				
1. Northern District Water System Phase I Waterline 12" x 6,520 LF	307,500	78412125	8-27-79	4-01-80
		W79-027-DOI	11-02-79	8-14-80
2. Northern District Water System, Phase II Waterline - 12"x10,092 8"x500'	565,000	78412126	11-05-79	10-27-80
		W80-001-DOI	7-10-80	7-31-81
3. Northern District Water System, Phase III, Package B&C, Part "A". Waterline - 12" x 10,463 8" x 4,100 Pump Station - 6 x 3,050	1,590,000	78412127	2-22-80	10-30-80
		W80-004-DOI	6-05-80	10-15-84
4. Northern District Water System, Phase III, Package B&C, Part "B" Reservoir - 1.0 MG Pipeline - 6 x 3,793	Included Above	78412127	2-22-80	10-30-80
		W80-004-DOI	6-05-80	5-15-84
5. Northern District Water System, Phase III, Package "A" Pipeline - 6" x 9,140	370,000	78412116	10-15-79	5-20-82
		W80-002-DOI	7-09-80	10-15-84
6. Northern District Water System Phase IV, Bordallo Subd., Yigo 5,500 LF Ukudu/War Dog Cem. - 13,500	221,500	78412115	12-10-80	On-Hold
		W80-001- DOI	8-25-82	

PUBLIC UTILITY AGENCY OF GUAM
GOVERNMENT OF GUAM

HISTORICAL SUMMARY OF DOI WATER SYSTEM GRANTS

PERIOD ENDING: January 31, 1987

FUNDING SOURCE: U.S. Department of Interior

Sheet 2 of 9

PROJECT TITLE AND DESCRIPTION	APPROPRIATED AMOUNT	JOB ORDER NO.	PROJECT STATUS	
			DESIGN	CONSTRUCT
		PROJECT NUMBER	STARTED	STARTED
			COMPLETED	COMPLETED
7. Agafu-Gumas Subdivision Water System Pipeline - 8" x 500 LF 6" x 5,960 LF	270,000	78412105	3-02-81	9-14-81
		W79-001-DOI	7-31-81	2-03-82
8. Improvement to Tumon Loop Reservoir	162,500	78412036	2-06-80	10-10-80
		W80-006-DOI	4-24-80	11-06-81
9. Yseng-song-Machanao Waterline 6" x 5,000 LF	130,500	78413117	6-28-81	8-14-81
		W81-004-DOI	7-06-81	2-22-82
10. Abandon Existing 4" Waterline and Reconnect Service	46,000	7812121	Project Deleted	
Total - FY 1979 Grant Item A - Water System Northern District	3,663,000			

PUBLIC UTILITY AGENCY OF GUAM
GOVERNMENT OF GUAM

HISTORICAL SUMMARY OF DOI WATER SYSTEM GRANTS

PERIOD ENDING: January 31, 1987

FUNDING SOURCE: U.S. Department of Interior

Sheet 3

PROJECT TITLE AND DESCRIPTION	APPROPRIATED AMOUNT	JOB ORDER NO. / PROJECT NUMBER	PROJECT STATUS	
			DESIGN	CONSTRUCT
			STARTED / COMPLETED	STARTED / COMPLETED
FY 1979 - U.S. P.L. 95-465 B. Waterline North, South, Central				
1. Pressure reducing Station, Ipan, Talofofo	12,000.00	78412118	11-16-81	6-15-84
			11-27-81	9-30-85
2. Waterline Replacement, Phase I, Package "A" - Design and construct waterline: 12" x 3,660 LF 8" x 10,300 LF 6" x 15,400 LF	2,635,521.00	78412101	12 -20-79	6-08-81
		W79-025 DOI	12-29-80	10-15-82
3. Waterline Replacement, Phase I, Package "B" - Design and construct waterlines: 8" x 1,960 LF 6" x 9,840 LF	Included in Package "A" Above	78412101	12-20-79	4-15-81
		W79-025-DOI	12-29-80	5-20-83
4. Waterline Replacement, Phase I, Package "C" - Design and construct waterlines: 8" x 2,820 LF 6" x 9,840 LF	Included in Package "A" Above	78412101	12-20-79	8-24-81
		W79-025-DOI	12-29-80	3-06-84
5. Waterline Replacement, Phase II, Package "A" - Design and construct waterlines: 8" x 1,400 LF 6" x 13,157 LF	1,108,635.10	78412100	12-17-79	[illegible]-11-81
		W79-026-DOI	12-29-80	6-22-82
6. Waterline Replacement, Phase II, Package "B" - Design and construct waterlines: 8" x 1,322 LF 6" x 10,119 LF	Included in Package "A" Above	78412100	12-17-79	Construction withheld
		W79-026 -DOI	12-29-80	
7. Waterline Replacement, Phase II, Package "C" - Design and construct waterlines: 8" x 2,359 LF 6" x 12,495 LF	Included in Package "A" Above	78412100	12-17-79	Construction withheld
		W79-026-DOI	12-29-80	

PUBLIC UTILITY AGENCY OF GUAM
GOVERNMENT OF GUAM

HISTORICAL SUMMARY OF DOI WATER SYSTEM GRANTS

PERIOD ENDING: January 31, 1987

FUNDING SOURCE: U.S. Department of Interior

Sheet 4

PROJECT TITLE AND DESCRIPTION	APPROPRIATED AMOUNT	JOB ORDER NO. / PROJECT NUMBER	PROJECT STATUS DESIGN STARTED / COMPLETED	PROJECT STATUS CONSTRUCT STARTED / COMPLETED
8. Water System Improvement Phase I, Agat-Santa Rita Area - Design and construct reservoir 1.0 MG Booster Pump and 18,000 feet waterlines	1,204,425.00	78412102	10-24-78	3-20-80
		W79-009-DOI	6-29-79	4-30-83
9. Atalgue-Umatac-Merizo Water System Design and construct 20,000 gal. reservoir; waterlines 4" x 8,500 LF; 6" x 9,200 LF; Pump Station and Catch Basin	288,234.17	78413128	4-15-80	7-09-80
		W79-024-DOI	5-30-80	3-15-81
10. Santa Cruz Lane, Agana Waterline Design and construct waterline; 6" x 1,200 LF	19,843.83	2294002	4-15-80	7-07-80
			5-30-80	8-28-80
11. Archaelogical Survey of Projects by Department of Parks and Recreation	6,413.14	78412022		
				3-31-83
12. Replace Waterline at Pago River Bridge 12" x 80 LF	17,140.89	78412103	10-30-79	6-16-80
			11-15-79	7-09-80
13. Inarajan-Merizo Waterline	182,786.86	175706	1976	1976
				1977
TOTALS - FY 1979 B. Waterline, North, South, Central	5,475,000.00			

PUBLIC UTILITY AGENCY OF GUAM
GOVERNMENT OF GUAM

HISTORICAL SUMMARY OF DOI WATER SYSTEM GRANTS

PERIOD ENDING: January 31, 1987

FUNDING SOURCE: U.S. Department of Interior

Sheet 5

PROJECT TITLE AND DESCRIPTION	APPROPRIATED AMOUNT	JOB ORDER NO.	PROJECT STATUS	
			DESIGN	CONSTRUCT
		PROJECT NUMBER	STARTED	STARTED
			COMPLETED	COMPLETED
FY 1980 - U.S. P.L. 96-126 Dededo Reservoirs				
1. Barrigada Reservoir - Design of 1.0 MG Steel Resrvoir	42,268.66	78412109	8-12-80	Design Only
		W80-011-DOI	3-31-81	
2. Astumbo Reservoir - Design and construct 1.0MG Steel Reservoir 12" x 3,000 LF of waterline	700,000.00	78412111	8-12-80	11-16-81
		W80-007-DOI	5-22-81	8-01-85
3. Mangilao Reservoir and Pipeline Design and construct 1.0 MG Reservoir. 4,391 LF of waterline	74,000.00	78412108	9-02-80	Design Only
		W80-008-DOI	6-17-81	
4. Yona Reservoir - Design and construct 1.0 MG Reservoir and 10,567 FL of 12" Waterline	1,150,000.00	78412112	8-17-80	4-22-82
		W80-009-DOI	11-24-81	5-06-83
5. Asan Reservoir - Design and construct 1.0 MG Reservoir, Pump Station and Pipeline	296,731.34	78412110	2-23-81	Constructio withheld
		W80-010-DOI	11-24-82	
TOTALS, FY 1980 DEDEDO RESERVOIRS	2,263,000.00			

PUBLIC UTILITY AGENCY OF GUAM
GOVERNMENT OF GUAM

HISTORICAL SUMMARY OF DOI WATER SYSTEM GRANTS

PERIOD ENDING: January 31, 1987

FUNDING SOURCE: U.S. Department of Interior

Sheet 6

PROJECT TITLE AND DESCRIPTION	APPROPRIATED AMOUNT	JOB ORDER NO. / PROJECT NUMBER	PROJECT STATUS DESIGN STARTED / COMPLETED	PROJECT STATUS CONSTRUCT STARTED / COMPLETED
FY 1981 U.S. P.L. 96-514				
1. Water System Improvement Phase II & III, Agat-Santa Rita - Construct pipeline, 14,195 LF of 6", 8" and 12" Two Booster Pumps and improve reservoir.	2,911,407.95	78412113	10-24-78	01-12-81
		W80-013-DOI	6-05-80	4-01-86
2. Waterline Agat-Santa Rita along Route 17 - Design and construct waterline 12" x 22,340 LF and pump station	288,592.05	78412114	9-02-80	9-20-82
		W80-012-DOI	02-09-82	4-01-86
3. Tumon Relief Waterline	100,000.00	78423110		Reprogrammed
4. Six Deep Wells North Central	675,000.00	78412119	2-10-82	10-20-82
			10-22-86	
5. Agana-Asan Waterline - Design and waterline 12" x 14,100 LF	950,000.00	78413106	2-23-81	Construction withheld
		W80-010-DOI	12-27-82	
6. Mongmong-Maite Waterline - Design and construct waterline 12 x 5,790 LF, 8" x 965 LF and 6" x 1,000 LF	568,000.00	78412120	2-15-82	8-24-82
		W82-001-DOI	5-02-82	8-24-83
TOTALS, FY 1981 GRANT	5,493,000.00			

PUBLIC UTILITY AGENCY OF GUAM
GOVERNMENT OF GUAM

HISTORICAL SUMMARY OF DOI WATER SYSTEM GRANTS

PERIOD ENDING: January 31, 1987

FUNDING SOURCE: U.S. Department of Interior

Sheet 7

PROJECT TITLE AND DESCRIPTION	APPROPRIATED AMOUNT	JOB ORDER NO.	PROJECT STATUS	
			DESIGN	CONSTRUCT
			STARTED	STARTED
		PROJECT NUMBER	COMPLETED	COMPLETED
FY 1982 - U.S. P.L. 97-100				
1. Yigo, Mangilao Waterline - Design and construct waterline: 12" x 21,480 LF	1,023,000.00	78412122	6-14-82	6-15-83
		W82-003-DOI	9-16-82	6-01-84
2. Nine Deep Wells	998,000.00	78412123	8-17-82	9-30-83
		W82-004-DOI	6-2-83	7-31-84
TOTAL, FY 1982	2,021,000.00			
FY 1983 - U.S. P.L. 97-394				
1. Dededo-Mangilao Water Transmission Line	695,657.00	78413394	10-26-83	11-14-84
		W83-001-DOI	5-21-84	11-24-86
2. Windward Hills Water Transmission Line	1,132,000.00	78413395	10-26-83	01-02-85
		W83-003-DOI	6-12-84	98%
3. Yona-Chalan Pago Water Transmission Line	739,343.00	78413396	10-26-83	4-01-85
		W83-002-DOI	12-19-84	12-30-86
Total, FY 1983 Grant	2,567,000.00			

PUBLIC UTILITY AGENCY OF GUAM
GOVERNMENT OF GUAM

HISTORICAL SUMMARY OF DOI WATER SYSTEM GRANTS

PERIOD ENDING:

FUNDING SOURCE: U.S. Department of Interior

Sheet 9

PROJECT TITLE AND DESCRIPTION	APPROPRIATED AMOUNT	JOB ORDER NO.	PROJECT STATUS	
			DESIGN	CONSTRUCT
			STARTED	STARTED
		PROJECT NUMBER	COMPLETED	COMPLETED
FY 1986 GRANT U.S. P.L.				
1. Agana Spring Water Source Development	951,360.00	78416609		
		W86-005-DOI		
2. Macheche Water Transmission Line	556,550.00	78416608		
		W86-006-DOI		
3. Pago Bay - Togcha Water Transmission Line	1,446,090.00	78416610	12-15-86	
		W86-007-DOI		
TOTAL, FY 1986 GRANT	2,954,000.00			

CAPABILITY STATEMENT:	**RENOVATION AND EXPANSION OF THE GUAM MEMORIAL HOSPITAL TO REGAIN JCAH ACCREDITATION**
Agency/Bureau:	**Department of the Interior/Territorial and Insular Affairs**
Activity:	**Territory of Guam**
Proposed Amendment:	To Authorize $1 Million and to Appropriate an Additional $2.2 Million for GMH to Fund Facility Renovation and Construction to Regain Accreditation

Current Program:

In 1983 the Joint Commission on Accreditation of Hospitals revoked accreditation of the Guam Memorial Hospital Facility due to numerous building and life safety code violations and several patient care and administrative policy deficiencies. As the Guam Memorial Hospital consists of two separate facilities, one constructed in 1956 and the other in 1973, neither of these buildings were able to meet the code standards revised in 1981. This resulted in the development of plans to consolidate hospital services into the newer main facility constructed in 1973. Congressional assistance to fund the cost of this endeavor was achieved during fiscal year 1985 with the continuing Resolution Bill (P.L. 98-473) which authorized the Government of Guam to receive a Hospital Renovation Construction Grant in the amount of $5,610,000.

Implementation of the various projects necessary to renovate and expand the GMH main facility have been divided into three phases to ensure continuous efforts to implement the projects and minimize the disruption of patient care services. Phase I consists of projects which address the correction of fire and life safety code deficiencies, physical plant and equipment deficiencies as well as the procurement of architectural and engineering design plans for the expansion and consolidation of hospital care and services within one main campus. Phase II consists of the construction of additional hospital service areas to expand the capacity of the existing main facility to accomodate the relocation of the skilled nursing facility and hemodialysis units to this facility. Lastly Phase III involves the relocation of existing services to the newly renovated and expanded hospital campus.

Progress on Phase I projects are proceeding in a timely fashion. To date we are 60% complete with the development of plans to immediately address the physical plant and code deficiencies of the main facility. Once these plans have been reviewed for compliance with code standards implementation of the renovation projects can begin. Expenditures and cost estimates to date for Phase I projects are anticipated to be $1,625,554.25.

This leaves a balance of $3,984,445.75 to fund the costs of Phase II and Phase III involving the construction of additional Hospital service areas to allow for the consolidation of the SNF and Hemodialysis Units to the main facility. Preliminary cost estimates for Phase II and Phase III projects are anticipated to be between 4 and 11 million dollars leaving an anticipated funding deficit of some $7 million. These anticipated additional costs are the result of findings indicating that construction, and the costs associated with an alternative plan to construct a new two story wing which would involve demolition of half of the current administrative office building.

Guam Memorial Hospital Authority is currently in the process of trying to identify a source of funds to meet the anticipated funding shortfall and enable the institution to complete the planned construction projects. The precarious financial condition of the institution at present, preempts the use of operating revenues as a source of funds for the project. A recent independent review of the financial status of the institution has identified the need to increase current fees to generate revenues to sufficiently fund operational costs as well as long term debt obligations stemming from

operational deficits of prior years. As all fee increase proposals are subject to legislative review and approval, and past practices reveal a tendency to legislatively adjust fee increase proposals to minimize the impact upon constitutents, it is unlikely that the institution will be able to adjust its fees to sufficiently cover the costs of services, long term obligations, as well as a major expansion and renovation project.

Feasibility

The construction of the additional hospital service areas to consolidate the skilled nursing facility and hemodialysis units will enable the institution to provide integrated acute care services in a safe physical plant environment that affords opportunity for the provision of quality care in accordance with nationally accepted accreditation standards. More specifically construction will include:

1) Construction of a new 2 story "C" wing unit adjacent and adjoining the current Labor and Delivery suites. Construction of this unit will allow for the relocation of the 25 OB/GYN, Labor and Delivery, and Nursery services in one centralized location. Relocation of these service units will result in available space on the 4th floor to house the 35 Skilled Nursing Facility beds as well as an area for recreational therapy. Consolidation and relocation of these services will result in greater continuity in the provision of care, reduction in the transport difficulties, decrease operational costs affiliated with operating in 2 distinct facilities, as well as ensure the provision of care in a physically safe environment.

2) Construction of the 14 station hemodialysis unit below the current laboratory unit. Construction of this unit will enable the hospital to relocate and expand the unit providing 4 additional service stations for patients of the unit.

   Relocation and expansion will decrease current patient waiting time as well as afford patients greater personal comfort during the treatment process. Integration of this unit into the main campus will provide for more coordinated laboratory services, decrease current operational costs and ensure that the treatment facility is in full compliance with building and life safety codes.

3) Facilities for other medical and administrative services will be constructed to accomodate space utilization changes resulting from the integration of service units from the old facility. Additional facility modifications are planned to enable the facility to increase bed capacity in accordance with needs of the growing population. Several of the semi-private rooms have been identified for conversion to 4-bed ward units. Administrative and Medical Support Service Offices will also be relocated to accomodate expanded service areas as well as reorganization to better control the flow of traffic through the institution.

Capability

Renovation and expansion of the existing hospital facility is not possible without the infusion of financial assistance from external services. Territorial government resources are not presently available to provide such assistance to the Hospital in its endeavors to renovate the facility to meet current life safety code and quality care standards.

Federal financial assistance has been received for the initial purchase of the facility as well as a portion of the renovation and expansion efforts. Funds to complete the projects continue to be needed if the institution is to be in provision of additional federal financial assistance will the Guam Memorial Hospital be able to complete the efforts and begin to provide services in a safe and quality care environment.

Outlay Effect in 1988

$2,200,000.

STATEMENT OF FRANKLIN QUITUGUA

Mr. Chairman, and distinguished members of the Appropriations subommittee on Interior, thank you for allowing me to appear before you today to support the earlier requests which I have made before the House Subcommittee on Insular and International Affairs. As I mentioned to the House subcommittee hearing held in February, I come before you again today as a represenatative of the Legislative branch of the Government of Guam, in bi-partisan support of a unified "Guam position".

The proposed appropriations for the Mangilao reservoir, the Chalan Pago waterlines, the loan subsidy for the Guam Power Authority, and the Ordot landfill, are long over due and necessary improvements to our islands infrastructure. There are additional projects which also urgently need fiscal support. But we are cognizant of the Department of Interior's conservative approach to funding our island's needs, and we are pleased that this committee has included the above mentioned projects in its FY88 budget recommendations.

I fully support the $4.2 million dollar recommended funding level for technical assistance which the Committee is considering. I believe that Government of Guam will judiciously utilize any programs which the Department of Interior will extend under technical assistance. However, I have requested for one particular technical assistance program to be extended to Guam, which I hope the Committee will consider. That program is a management audit of the Government of Guam, directed at making recommendations for the design and maintenance of an efficient government organization. Guam is committed to deficit reduction, and payroll is by far our largest expenditure. The Inspector General for the Department of

Interior has acknowledged its validity, I believe that there is an urgency for it to be extended soon. The utilization of the Inspector General's expertise and objectivity to effectuate this type of program would help the transition from public to private employment, and significantly reduce our payroll costs.

I am pleased to see that this Committee acknowledges the right of the Government of Guam to have federal taxes returned for use by the territorial government. Section 30 of Guam's Organic Act provides for all customs duties and federal income taxes to be annually remitted to Guam. I want to thank you Mr. Chairman and Committee members for your understanding of our unique situation in this regard, even when others have recommended that Section 30 monies be taken by the federal treasury to assist deficit reduction measures.

We in Guam are at center stage in this Pacific century. As the political arrangements between the U.S. and the former Trust Territories breaks new ground, we find that we are intrinsically involved. Many of our Micronesian brothers and sisters find Guam an attractive place to attend school, to work and even to live. Of course Guam has a prehistoric relationship with the other areas of Micronesia, but the weight of the new migrations is not settled by exchanges of goods and friendship; the weight of the new migrations is creating a fiscal impact on our island community.

Congress has seen fit to recognize the costs which our fiscally strapped government has to bear in providing needed educational services. In 1980, Congress authorized $10,000,000 for appropriation to Guam for the role we are playing in fulfilling the U.S. Trusteeship responsibility for higher education services to Trust Territory Micronesians. Unfortunately to date - even as the University of Guam continues to assist students from Micronesia - only $1,000,000 has been appropriated. I request this committee to appropriate the remaining $9,000,000 of the authorization, as soon as possible, to remunerate the University of Guam for its contribution to fulfilling an important U.S. responsibility in providing higher education to Trust Territory residents.

Compounding the Government of Guam's funding problems for services offered to Micronesians, is the effect of the Compacts. In 1986 the Association of Pacific Island Legislatures adopted the position that funding for education and health services under the Compacts was inadequate. This school year at the University of Guam there are over 100 students from the Compact affected entities who are not eligible for student loans, and have few resources to meet the costs of education. It is tragic that as the new states of Micronesia embark on the road to self-governance, they have few resources to meet the enormous challenge that confronts them.

Members of the Committee who are familiar with Guam and the cultural disposition of our people, know that we can not turn away our neighbors in need. We want to continue to help our fellow Micronesians whenever assistance is needed, but the costs of such hospitality will render us less able to meet the needs of our local residents. The Compacts allow for the extension of additional grant assistance and services to the Micronesian states (Section 224) as agreed by both parties. I urge this Committee to seriously examine the needs of Micronesia in the area of education and health, to give these people the tools they need to meet the demands of the 20th century.

If Congress does not directly address the needs of Micronesia with the new governments, Guam will have little choice but to request appropriations from Congress for the impact which the migration of Micronesians places on our fragile system. Section 104(e)(6) of P.L. 99-239 authorizes the appropriation of "sums as may be necessary to cover the costs... incurred by Guam...resulting from any increased demands placed on educational and social services by immigrants..." from the Compact entities. This language acknowledges the problem, but it will be difficult to implement. Our government has, and will continue to, be affected by the migration of

Micronesians to Guam seeking higher education, health services, or employment opportunities. I am sure Congress is sincere about providing impact funding to Guam vis-a-vis Micronesian migrations. To satisfy Congressional intent, I recommend that the Department of Interior fund an office, and a continuing public education campaign to stimulate registration of Micronesians residing on Guam.

Guam is an island in need of understanding. At times it seems that you give so much. But you must understand that we contribute so much too, with the meager resources we have. We still are a long way from affirmative action for the education of our island peoples; we continually face the underdevelopment of our local human resources and our economic potential to satisfy defense interests; and, more often than not our long-standing concerns only receive rhetorical attention. In this Pacific century, with Guam at the crossroads of America's Asian experience, I believe that our requests here today are insignificant to our countrys great destiny. I trust that you gentlemen will see the wisdom of demonstrating that Uncle Sam is not only on our island, but that he is also truly on our side.

INTRODUCTION OF ASSOCIATES

Mr. BLAZ. I'm obviously here just to express support to the governor's effort for additional funds that I must hasten to add are primarily concerned with health and safety. And at this time, then, with that opening remark, let me just again introduce, to my immediate left, of course, is Governor Joseph Ada whom you have already mentioned, and to his left is Speaker Quituga, and to my right is Dr. Sanchez.

I now yield whatever time I was allotted to the Governor, Mr. Chairman.

STATEMENT OF JOSEPH F. ADA

Governor ADA. Thank you very much for giving us the opportunity to come before you this morning.

Mr. Chairman, I also submitted testimony, quite lengthy, and I would like to just summarize that testimony in the interest of time.

GUAM FINANCIAL CRISIS

Mr. Chairman, in January I inherited the reign of a government in a financial crisis. I have taken drastic steps both in cost containment and revenue enhancement to address this crisis.

Though our general fund deficit will reach approximately $170 million by the end of this fiscal year, my deficit reduction program with legislative support will begin to reduce that figure.

In the first 100 days of my administration I have saved over $12 million, despite the fact that we lost $10 to $12 million of tax revenue as a result of the Federal Tax Reform Act.

I am committed, though, to containing costs and I'm committed to a no growth operating budget over the next 4 years. I have proposed tax increases and I am committed to utilizing part of additional revenue to fund improvements in our infrastructure.

Our private sector economy is booming and I want to assure you that the Government of Guam is supporting the economic growth with the necessary basic infrastructure. Future hotel and housing developments should be encouraged, not threatened by inadequate water, waste water, and road systems.

GUAM CIP REQUEST

We come here seeking assistance in promoting our economic development. The President requested an insufficient $1.1 million for capital improvements. We would hope you would support and give favorable consideration to the House Budget Committee's recommendation for Guam in fiscal year 1988. The $144 million in Federal tax reimbursement, the $4.1 million in water system improvements, the $1.7 million appropriation for landfill expansion, and the $1.5 million for the interest cost subsidy for our power authority. All are necessary and important projects.

Again, your favorable consideration would be appreciated in this regard.

There are other matters, Mr. Chairman, such as equipment needs at our hospital and impact aid requirements of our school system that I will be discussing with you in the future. Your recognition of our work in determining a new political status for Guam is extremely important to us as well.

Thank you very much.

Senator JOHNSTON. Thank you very much, Governor.

ORDOT LANDFILL

Last year, there was an expectation that EPA would assist in resolving the problems at the Ordot landfill. Have you had discussions with EPA and what have they indicated to you regarding this assistance?

Governor ADA. They are very supportive, Mr. Chairman. As a matter of fact, they are providing some technical assistance. Actually, we need approximately $4 million for the acquisition of the landfill and the necessary improvement that will go into making our landfill safe for the people of Guam.

It is determined that our landfill is listed by the Federal EPA as one of the most hazardous landfill areas in the Nation and it is for that reason that we feel it is of utmost priority to us to maintain a safe landfill to secure that there is no water pollution coming from the leaching of the landfill.

FEDERAL IMPACT AID

Senator JOHNSTON. I appreciate your concern regarding Federal impact aid to assist in supporting education in Guam and I understand that the Department of Defense and the Department of the Interior have been involved with you in the matter. Could you briefly update us on the involvement of these agencies and the status of their efforts on education?

Governor ADA. Well, we have met with a delegation from the Department of Defense just recently who were in Guam looking over the school system in the territory in anticipation that there may be additional military assignments in Guam and thus would require perhaps a burden on our school systems with respect to military dependents attending the schools.

And, of course, we brought the issue up with respect to the fact that Guam was never given its full allocation in any given year with respect to the impact aid and we certainly requested of the delegation to help us out in this regard, to lobby in Congress and give us the necessary support to make sure that we have the necessary funding to adequately live up to our educational aspiration and thus also enhance the promotion of military dependents attending school in our public schools.

ORDOT LANDFILL

Senator JOHNSTON. Back to the question of the Ordot landfill, if EPA has ruled that this is hazardous, why is it not eligible under the Superfund for cleanup as opposed to an add-on here?

Governor ADA. We received some very nominal funding, basically technical funding, with respect to the Ordot landfill. But with respect to appropriation to realize the full implementation of acquiring additional land and the necessary equipment, it wasn't forthcoming. We feel that if that is not forthcoming, that because of the urgency, this is the best route to go.

Senator JOHNSTON. OK. Have you asked EPA for funding under the Superfund?

Governor ADA. Mr. Chairman, at this point in time, we have not. We have dealt with the Department of the Interior with respect to this funding, though.

Senator JOHNSTON. Would you followup on that and advise us of that? Obviously, our funds are very limited and that is what the Superfund was all about. We agree this is a matter of hazard and danger and a serious pollution problem. But if Superfund cannot clean that up, why do we have a Superfund? So would you followup on that and advise us of what EPA's response is because we think that is their responsibility and we don't want to have an add-on here if we can get it out of Superfund?

Governor ADA. OK.

Senator JOHNSTON. I might add that we will ask Secretary Montoya that same question because we will want him to work on this problem as well with you.

Governor, Congressman, Mr. Speaker, we're very pleased to have you. Do you have a statement, Mr. Speaker?

Mr. QUITUGUA. Yes; a very short one, Mr. Chairman, in the interest of time. I also submitted written testimony in support of the Governor's statement.

STATEMENT OF SENATOR FRANKLIN QUITUGUA

Mr. QUITUGUA. I wanted you to know, Mr. Chairman and members, that the Guam Legislature is very supportive of the infrastructure funding request that the Governor has advanced.

EDUCATIONAL ISSUES

I am very happy, too, Mr. Chairman, that you cited the impact aid concern that we have in Guam. This afternoon, I will be appearing before Chairman Chappell's committee hearing and I will be elaborating there the concern that we have with respect to the inadequacy of impact aid funding which has amounted to about $23 million since 1971 to 1986.

Along that line, also, Mr. Chairman, Congress granted the University of Guam $10 million back in 1980 to assist the university in fulfilling the mission of educating trust territory Micronesian students and up to now, Mr. Chairman, only $1 million has been advanced to that particular institution.

We are asking, of course, knowledgeable of the austere times, but the university is very much in need of assistance because we continue to have these needy Micronesian students at our institution. We are hoping, Mr. Chairman, that should the committee deliberate on this funding bill, that you consider the plight of our institution in making sure that we fulfill the mandate in upgrading the social and economic conditions of our brothers and sisters in the Micronesian Islands.

So with that, Mr. Chairman, I would like for you to know that the Guam Legislature is very much in support of the funding request that we have advanced to you this morning.

Thank you very much.

Senator JOHNSTON. Thank you very much, Mr. Speaker, Governor, and Congressman. We are very pleased to have you.

Do you have something else?

ORDOT LANDFILL

Governor ADA. Yes, Mr. Chairman; with respect to the Federal EPA Superfund, we understand from my staff here that they're doing a study with respect to the Ordot problem but it does not really address the fact that we need funding to expand the landfill.

Certainly there is a problem in cleaning it up and funding for the cleanup may be there, but the fact is that the land area that we have is so small and inadequate that we need to purchase the land adjacent to the present site. For that reason, we need to come before this honorable body and request additional funds for the acquisition of the property.

Senator JOHNSTON. How much would that land cost?

Governor ADA. Approximately $1.7 million.

Senator JOHNSTON. OK. Thank you very much.

Senator SANCHEZ. Mr. Chairman, I also have a statement I think in your record, but I just want to reemphasize what the speaker and the Governor said earlier, that we ultimately will be coming to this committee in the next few months to begin discussion on a new political status for our territory and we hope that you will give us your support in our quest for a new status that will strengthen our relationship with the Federal Government, and provide us a status with dignity that I'm sure we are all after.

Senator JOHNSTON. That's an authorizing issue. We don't get into that issue here in the Appropriations Committee, but we will in the authorizing committee on energy and natural resources.

Senator SANCHEZ. Thank you very much.

Senator JOHNSTON. Thank you.

COMMONWEALTH OF THE NORTHERN MARIANAS

STATEMENT OF HON. PEDRO A. TENORIO, LIEUTENANT GOVERNOR

ACCOMPANIED BY:
FROILAN C. TENORIO, RESIDENT REPRESENTATIVE
BENJAMIN T. MANGLONA, CHAIRMAN, SENATE FISCAL AFFAIRS COMMITTEE
JUAN TORRES, CHAIRMAN, HOUSE APPROPRIATIONS COMMITTEE
MANUEL P. VILLAGOMEZ, VICE CHAIRMAN, SENATE FISCAL AFFAIRS COMMITTEE

INTRODUCTION OF ASSOCIATES

Senator JOHNSTON. Next, we have representatives of the Commonwealth of the Northern Marianas, Lt. Gov. Pedro Tenorio; Froilan Tenorio, resident representative; and Senator Benjamin T. Manglona.

Mr. FROILAN TENORIO. Thank you, Mr. Chairman.

Mr. Chairman, I would like to introduce Lieutenant Governor Tenorio whom I'm sure you know very well, who will introduce the other guests today.

Lieutenant Governor TENORIO. Mr. Chairman, thank you very much.

I would like to introduce several of our legislature's members who are here with us today to testify. We have Senator Benjamin Manglona here, who is the chairman of the fiscal affairs committee of the senate. Not up here with us but in the audience, Senator Manuel Villagomez, who is the vice chairman of the senate committee on fiscal affairs; and we also have Mr. Juan Torres, who is the chairman of the house appropriations committee.

Mr. Chairman, at this time I would like to summarize my statement. The detailed statement has been already submitted to this committee and with your permission I would like to read out of my summary.

Senator JOHNSTON. Yes; please proceed.

Lieutenant Governor TENORIO. Thank you, Mr. Chairman.

Our appearance before the committee this morning represents a milestone for the Northern Mariana Islands Government. Last summer, the Congress enacted and the President signed into law Public Law 99–396. Section 10 of that public law pledged $226 million of direct grant assistance to the Commonwealth at guaranteed annual amounts for the 7 fiscal years beginning in fiscal year 1986. This legislation represents a second 7-year cycle of financial assistance under section 702 of Public Law 94–241, the covenant to establish the Commonwealth of the Northern Mariana Islands in political union with the United States of America.

Congressional enactment of Public Law 99–396 was preceded by extended consultations between special representatives of the president and of the government of the Commonwealth. These discussions culminated in the agreement of July 10, 1985, in which our government pledged to pursue significant changes in both the speed and direction of the social and economic development program of the Northern Mariana Islands.

In charting the course for the next 7-year period, we have implemented as major policy objectives the promotion of economic growth by maximizing capital development through the use of public and private financing techniques.

CNMI 7-YEAR DEVELOPMENT PLAN

In the 8 months following enactment of Public Law 99–396, we have entered into a technical assistance agreement with the Department of the Interior for the development of a 7-year strategic plan for capital improvement projects and economic activities.

We are entirely committed to the development of the 7-year plan. In order to meet the Department of the Interior's immediate concerns and our own desire for rapid deployment of public financing techniques embodied in the 1985 agreement, we are prepared to present an interim plan which includes a broad description of capital development needs over a period of 7 years and sufficient project details to trigger the release of revenue bond proceeds on August 1, 1987, and October 1987.

We believe, Mr. Chairman, that the interim plan which has received the endorsement of the CNMI house of representatives, and with senate approval expected soon, can be perfected to meet all of the Department of the Interior's immediate concerns within the stated timeframe.

I would like to highlight additional significant events that have taken place in the last 8 months, Mr. Chairman.

COMMONWEALTH STATUS

On November 3, 1986, as you know, President Reagan issued a proclamation fully implementing the covenant conferring citizenship on the people of the Northern Mariana Islands. That same month, the new $30 million Commonwealth Health Center began providing greatly enhanced medical services to our residents.

Also in November and pursuant to section 902 of the covenant, special representatives from both our government and the United States began conferring on issues of mutual concern which have developed or remain unresolved since the adoption of the Commonwealth status.

On December 3, 1986, a sad event happened in our islands. Super Typhoon Kim came with winds in excess of 190 miles per hour and devastated several of our islands.

Senator JOHNSTON. Governor, excuse me. Let me interrupt. We wanted the witnesses to sum up in 5 minutes if they can. I do not know whether you can read 13 pages in 5 minutes.

Lieutenant Governor TENORIO. No, sir; I'm just getting ready to summarize.

Senator JOHNSTON. OK. Fine. Thank you.

Lieutenant Governor TENORIO. I just want to highlight those areas because, Mr. Chairman, those are issues that I think the committee would appreciate hearing.

As I said, we do have our detailed request for appropriations and as other territories have indicated, many of the infrastructure needs are the same needs that we express in the Commonwealth.

PREPARED STATEMENTS

We have submitted a request for a water systems improvement program as well as appropriation for the hardening of our power system, as suggested by you, Mr. Chairman, and Senator McClure when you heard about the typhoon destruction on Saipan and the other islands.

That concludes my remarks, Mr. Chairman. Thank you.

[The statements follow:]

STATEMENT OF LT. GOV. PEDRO A. TENORIO

AS ALWAYS, WE APPRECIATE THE INTEREST THAT THE CONGRESS DEMONSTRATES IN THE WELFARE OF OUR ISLANDS. AS WE SAY IN THE MARIANAS, "HAFA ADAI". WITH ME TODAY IS REPRESENTATIVE JUAN S. TORRES, CHAIRMAN OF THE HOUSE COMMITTEE ON APPROPRIATIONS, FIFTH COMMONWEALTH LEGISLATURE, SENATOR BENJAMIN T. MANGLONA, CHAIRMAN OF SENATE COMMITTEE ON FISCAL AFFAIRS, AND SENATOR MANUEL P. VILLAGOMEZ, VICE CHAIRMAN OF THE COMMITTEE ALSO.

OUR APPEARANCE BEFORE THE COMMITTEE THIS MORNING REPRESENTS A MILESTONE FOR THE NORTHERN MARIANAS GOVERNMENT. LAST SUMMER THE CONGRESS ENACTED AND THE PRESIDENT SIGNED INTO LAW PUBLIC LAW 99-396. SECTION 10 OF PUBLIC LAW 99-396 PLEDGED $228 MILLION OF DIRECT GRANT ASSISTANCE TO THE COMMONWEALTH AT GUARANTEED ANNUAL AMOUNTS FOR THE SEVEN FISCAL YEARS BEGINNING IN FY 1986. THIS LEGISLATION REPRESENTS THE SECOND SEVEN YEAR CYCLE OF FINANCIAL ASSISTANCE UNDER SECTION 702 OF PUBLIC LAW 94-241, "THE COVENANT TO ESTABLISH THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS IN POLITICAL UNION WITH THE UNITED STATES OF AMERICA".

CONGRESSIONAL ENACTMENT OF PUBLIC LAW 99-396 WAS PRECEDED BY EXTENDED CONSULTATIONS BETWEEN SPECIAL REPRESENTATIVES OF THE PRESIDENT AND OF THE GOVERNOR OF THE COMMONWEALTH OF THE NORTHERN MARIANAS AS REQUIRED BY SECTION 902 OF THE COVENANT. THESE DISCUSSIONS CULMINATED IN THE AGREEMENT OF JULY 10, 1985 IN WHICH OUR GOVERNMENT PLEDGED TO PURSUE SIGNIFICANT CHANGES IN BOTH THE SPEED AND DIRECTION OF THE SOCIAL AND ECONOMIC DEVELOPMENT OF THE NORTHERN MARIANA ISLANDS. IN CHARTING THE COURSE FOR THE NEXT SEVEN YEAR PERIOD, WE IDENTIFIED AS MAJOR POLICY OBJECTIVES THE PROMOTION OF ECONOMIC GROWTH BY MAXIMIZING CAPITAL DEVELOPMENT THROUGH THE USE OF PUBLIC AND PRIVATE FINANCING TECHNIQUES; LESSENING DEPENDENCY ON FEDERAL FINANCIAL ASSISTANCE FOR GOVERNMENT OPERATIONS; AND REDUCING THE RELATIVE SIZE OF GOVERNMENT CONSISTENT WITH THE TIMELY DELIVERY OF PUBLIC ESSENTIAL SERVICES IN A RAPIDLY - EVEN DRAMATICALLY - EXPANDING ECONOMY.

IN THE EIGHT MONTHS FOLLOWING ENACTMENT OF PUBLIC LAW 99-396, WE HAVE ENTERED INTO A TECHNICAL ASSISTANCE AGREEMENT WITH THE DEPARTMENT OF THE INTERIOR FOR THE DEVELOPMENT OF A SEVEN YEAR STRATEGIC PLAN FOR CAPITAL IMPROVEMENT PROJECTS AND ECONOMIC DEVELOPMENT ACTIVITIES AS CONTEMPLATED BY THE 1985 AGREEMENT. WE ARE ENTIRELY COMMITTED TO THE DEVELOPMENT OF THE SEVEN YEAR PLAN.

THE PLAN HAS FOURTEEN MAJOR COMPONENTS INCLUDING LAND USE, HOUSING, EMPLOYMENT, AGRICULTURE, TRANSPORTATION, COMMUNITY DESIGN, RECREATION, FISHERIES, PUBLIC SERVICES AND FACILITIES, AND NATURAL RESOURCES. WHILE WE ESTIMATE THAT DEVELOPMENT OF SUCH A COMPREHENSIVE PLAN WILL TAKE IN EXCESS OF A YEAR TO COMPLETE, THE TECHNICAL ASSISTANCE AGREEMENT WITH THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS CONTEMPLATES COMPLETION OF A PLAN DURING THE FIRST QUARTER OF CALENDAR 1988.

IN ORDER TO MEET THE DEPARTMENT OF THE INTERIOR'S IMMEDIATE CONCERNS, AND OUR OWN DESIRE FOR RAPID DEPLOYMENT OF PUBLIC FINANCING TECHNIQUE EMBODIED IN THE 1985 AGREEMENT, WE ARE PREPARED TO PRESENT AN "INTERIM PLAN" WHICH INCLUDES A BROAD DESCRIPTION OF CAPITAL DEVELOPMENT NEEDS OVER A PERIOD OF SEVEN YEARS AND SUFFICIENT PROJECT DETAIL TO TRIGGER THE RELEASE OF REVENUE BOND PROCEEDS ON AUGUST 1, 1987 AND OCTOBER 1, 1987.

CONSISTENT WITH OUR OBJECTIVE TO MAXIMIZE CAPITAL DEVELOPMENT THROUGH THE USE OF PUBLIC AND PRIVATE FINANCING TECHNIQUES, IN AUGUST OF 1986, THE COMMONWEALTH DEVELOPMENT AUTHORITY ISSUED $140,000,000 IN REVENUE BONDS DESIGNED TO ACCELERATE THE AVAILABILITY OF CONSTRUCTION FUNDS FOR VITAL CAPITAL DEVELOPMENT PROJECTS. THE BOND ISSUE HAS RECEIVED THE ENDORSEMENT OF THE DEPARTMENT OF THE INTERIOR AND IS WIDELY VIEWED AS BOTH A MAJOR STEP TOWARD MAXIMIZING CAPITAL DEVELOPMENT THROUGH PUBLIC FINANCING TECHNIQUES AND ACHIEVING DISCIPLINED FINANCIAL MANAGEMENT.

IN ORDER TO INSURE THE SUCCESS OF THE REVENUE BOND ISSUE, THE COMMONWEALTH MUST DEVELOP BEFORE AUGUST 1, 1987, A GENERAL DESCRIPTION OF CAPITAL DEVELOPMENT NEEDS, IDENTIFY PRIORITY

PROJECTS, REFINE CONSTRUCTION COSTS AND SCHEDULES, AND EVALUATE PROJECT CAPABILITY TO GENERATE REVENUE. THESE ACTIONS ARE NECESSARY IN ORDER TO TIMELY BREAK BOND ESCROW ON AUGUST 1, 1987 AND TO MEET THE CONDITIONS OF THE TECHNICAL ASSISTANCE AGREEMENT WITH DEPARTMENT OF THE INTERIOR. THE $126,000,000 IN COVENANT CAPITAL DEVELOPMENT FUND PLEDGED BY PUBLIC LAW 99-236 - THE MOST SECURE AND ACCEPTABLE SOURCE OF REPAYMENT - WILL BE PLEDGED TO SUPPORT BOND DEBT SERVICE AND RETIREMENT.

WE BELIEVE THAT THE INTERIM PLAN - WHICH HAS RECEIVED THE ENDORSEMENT OF THE HOUSE WITH SENATE APPROVAL EXPECTED SOON - CAN BE PERFECTED TO MEET ALL OF INTERIOR'S IMMEDIATE CONCERNS WITHIN THE STATED TIME FRAME. STAFF DISCUSSIONS ON THIS SUBJECT WITH INTERIOR OFFICIALS ARE SCHEDULED FOR LATER THIS WEEK.

I WOULD LIKE TO HIGHLIGHT ADDITIONAL SIGNIFICANT EVENTS THAT HAVE TAKEN PLACE IN THE LAST EIGHT MONTHS. ON NOVEMBER 3, 1986, PRESIDENT REAGAN ISSUED A PROCLAMATION FULLY IMPLEMENTING THE COVENANT AND CONFERRING CITIZENSHIP ON THE PEOPLE OF THE NORTHERN MARIANA ISLANDS. THAT SAME MONTH, THE NEW $30 MILLION COMMONWEALTH HEALTH CENTER BEGAN PROVIDING GREATLY ENHANCED MEDICAL SERVICES TO OUR RESIDENTS. ALSO IN NOVEMBER, AND PURSUANT TO SECTION 902 OF THE COVENANT, SPECIAL REPRESENTATIVES FROM BOTH OUR GOVERNMENTS BEGAN CONFERRING ON ISSUES OF MUTUAL CONCERN WHICH HAVE DEVELOPED OR REMAINED UNRESOLVED SINCE THE INCEPTION OF THE COMMONWEALTH STATUS.

ON DECEMBER 3, 1986, SUPER TYPHOON KIM PACKING WINDS IN EXCESS OF 190 MPH DEVASTATED SEVERAL OF OUR ISLANDS. LET ME SAY THAT FEDERAL ASSISTANCE WAS SWIFT, EXTENSIVE AND MUCH APPRECIATED. WITHIN SEVEN DAYS AFTER THE TYPHOON, PRESIDENT REAGAN DECLARED THE ISLANDS OF SAIPAN AND TINIAN A NATIONAL DISASTER AREAS. ALTHOUGH THE FULL IMPACT OF TYPHOON KIM CANNOT BE MEASURED AT THIS TIME, A PRELIMINARY ASSESSMENT IS AS FOLLOWS:

NINETY PERCENT OF CROPS WERE DESTROYED. AN ESTIMATED 2000 RESIDENCES SUFFERED DAMAGE. APPROXIMATELY 250 HOMES WERE COMPLETELY DESTROYED AND 1000 HOMES SUSTAINED SIGNIFICANT

DAMAGE. NEARLY 300 BUSINESS ESTABLISHMENTS WERE AFFECTED. PERSONAL PROPERTY LOSS WAS HIGH.

DAMAGE TO PUBLIC BUILDINGS WAS HEAVY. HIGH WINDS, HEAVY RAINS AND EXTREME WAVE ACTION ALONG THE WESTERN COASTAL AREAS, WHICH IS THE MOST HEAVILY POPULATED REGION, CAUSED STRUCTURAL DAMAGE TO BUILDINGS, UTILITIES, NEWLY CONSTRUCTED HIGHWAYS, DOCKS AND OTHER COASTAL PROPERTIES.

WITHIN A MONTH, WITH THE ASSISTANCE OF THE U.S. MILITARY FROM GUAM AND HAWAII AND OUR NEIGHBOR ISLAND OF GUAM, POWER WAS RESTORED TO 75 PERCENT OF ITS PRE-TYPHOON OPERATING LEVEL. WITHIN TWO WEEKS, ABOUT 60 PERCENT OF THE ISLAND'S WATER SUPPLY WAS RESTORED.

SUFFICE IT TO SAY, THAT SUPER TYPHOON KIM CAUSED CONSIDERABLE DAMAGE BUT OUR PEOPLE WEATHERED THE STORM AND THE SUBSEQUENT DEPRIVATIONS EXTRAORDINARILY WELL. THE HELP WE RECEIVED FROM THE FEDERAL AGENCIES WAS TIMELY AND EFFICIENT. RED CROSS VOLUNTEERS ARRIVED TO GIVE ASSISTANCE; 'TOYS FOR TOTS' FROM HONOLULU WERE SENT ON TIME FOR CHRISTMAS AND CLOTHING AND SUPPLIES CAME FROM THE RED CROSS IN JAPAN.

ON DECEMBER 10, 1986, FOLLOWING A REQUEST BY OUR WASHINGTON RESIDENT REPRESENTATIVE, FROILAN C. TENORIO, SENATOR J. BENNETT JOHNSTON AND SENATOR JAMES A. MCCLURE WROTE A LETTER TO GOVERNOR PEDRO P. TENORIO SUGGESTING THAT POWER INFRASTRUCTURE BE REDESIGNED TO BE PROTECTED AGAINST FUTURE STORMS. THE FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) CONCURS WITH THE SENATE OBSERVATION AS DO WE.

THE RECONSTRUCTION EFFORT WILL BE COORDINATED WITH THE DEVELOPMENT OF THE SEVEN-YEAR SOCIOECONOMIC, CAPITAL DEVELOPMENT PLAN. HOWEVER, IMMEDIATE RECONSTRUCTION OF DAMAGED INFRASTRUCTURE WILL REQUIRE PROMPT ACTION AND FINANCIAL ASSISTANCE GREATER THAN THAT PROVIDED BY THE NEW FUNDING AGREEMENT.

I AM PLEASED TO REPORT THAT FOR THE LAST SEVERAL YEARS NOW, WE HAVE BECOME LESS DEPENDENT ON FEDERAL FUNDS FOR GOVERNMENT

OPERATIONS. LOCAL REVENUE COLLECTED FROM VARIOUS TAXES AND FEES IMPOSED BY LOCAL LAWS HAS INCREASED SIGNIFICANTLY OVER THE LAST TEN YEARS. FOR EXAMPLE, IN 1978, OUR LOCAL REVENUE WAS A MERE 6.5 MILLION DOLLARS, REPRESENTING ABOUT 25% OF OUR TOTAL GOVERNMENT OPERATION BUDGET. BUT IN 1987, OUR LOCAL REVENUE IS ESTIMATED TO REACH 57.2 MILLION DOLLARS, OR ROUGHLY 85% OF OUR OPERATION BUDGET.

IN ADDITION, BY THE TERMS OF THE NEW FINANCIAL ASSISTANCE AGREEMENT, COVENANT ASSISTANCE FOR GOVERNMENT OPERATIONS WILL BE REDUCED BY ONE MILLION DOLLARS ANNUALLY TO A FIGURE OF 10.33 MILLION DOLLARS AT THE EXPIRATION DATE OF THE AGREEMENT IN 1992. THIS IS APPROXIMATELY THE SAME AMOUNT WE RECEIVED IN 1978, THE FIRST YEAR OF COVENANT FINANCIAL ASSISTANCE. IN 1988, WE WILL HAVE REDUCED THE FEDERAL CONTRIBUTION TO GOVERNMENT OPERATIONS BY $1.4 MILLION IN JUST TWO YEARS.

WE SUPPORT THE PRESIDENT'S BUDGET RECOMMENDATION FOR FISCAL YEAR 1988, BUT WE WISH TO NOTE THAT THE PLANNED OUTLAYS FOR CAPITAL DEVELOPMENT FOR FISCAL YEAR 1988 ARE CONSIDERED MINIMUM REQUIREMENTS TO UNDERTAKE CONSTRUCTION IN THE FOLLOWING AREAS.

ALTHOUGH WE CONTINUE TO DEVELOP ADDITIONAL GROUNDWATER SOURCES, WATER CONSUMPTION HAS CORRESPONDINGLY INCREASED EVEN AT A GREATER RATE DUE TO THE RAPID CONSTRUCTION OF ADDITIONAL RESIDENTIAL, HOTELS AND OTHER COMMERCIAL ESTABLISHMENT. OUR WATER PRODUCTION HAS INCREASED BUT IS INSUFFICIENT TO MEET THE DEMAND DUE NOT ONLY TO ACCELERATED ECONOMIC GROWTH, BUT ALSO DUE TO EXCESSIVE LEAKAGE AND DEFICIENCIES OF THE WATER TRANSMISSION AND DISTRIBUTION SYSTEMS. WORK WITH THE BUREAU OF RECLAMATION IS MADE POSSIBLE THROUGH TECHNICAL ASSISTANCE FROM OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS. JOINTLY, WE HAVE DEVELOPED A DETAILED PLAN TO REPLACE MAIN TRANSMISSION AND DISTRIBUTION LINES, PROVIDES BACKUP GENERATORS FOR DEEP WELL PUMPS, AND IMPROVE METERING AT THE WATER SOURCE AS WELL AS AT THE CONSUMER END. PREVIOUS CONGRESSIONAL APPROPRIATIONS FOR WATER SYSTEMS PROJECTS PARTICULARLY ON SAIPAN ARE BEING EXPENDED NOW

FOR THE CONSTRUCTION OF MAJOR TRANSMISSION AND DISTRIBUTION SYSTEMS AS WELL AS FOR THE DEVELOPMENT OF NEW WELL-FIELD. FUTURE EFFORT WILL INVOLVE THE UPGRADING OF WATER QUALITY WHICH WILL BE ACCOMPLISHED BY CAPTURING HIGH QUALITY SPRING FLOWS AND STREAM FLOWS.

THIS FUTURE WATER IMPROVEMENT PROJECT WHEN COMPLETED WILL PROVIDE POTABLE WATER FROM FRESHWATER SPRINGS AND PERENNIAL STREAMS WHICH WILL MEET PUBLIC HEALTH DRINKING WATER STANDARDS. OUR PLAN IS TO CONSTRUCT AT LEAST TWO SYSTEMS OF DAMS AND RESERVOIRS TO CAPTURE AND STORE THE SPRING AND STREAM FLOWS WHICH IN TURN WILL BE TREATED AND TRANSMITTED INTO THE PUBLIC WATER SYSTEM.

FOR THIS LONG TERM PROJECT WE ARE REQUESTING THE UNAPPROPRIATED BALANCE OF THE $15 MILLION PREVIOUSLY AUTHORIZED BY PUBLIC LAW 98-254, AND RECENTLY REAUTHORIZED BY PUBLIC LAW 99-662 FOR WATER SYSTEMS IMPROVEMENT IN THE NORTHERN MARIANA ISLANDS. THE BALANCE OF APPROXIMATELY $10 MILLION WILL BE SPENT FOR ENGINEERING, DESIGN, FEASIBILITY STUDIES AND FOR INITIAL CONSTRUCTION OF AN APPROXIMATELY 100 MILLION GALLONS CAPACITY EARTHEN RESERVOIR COMPLETE WITH FILTRATION, WATER TREATMENT AND PURIFICATION. IT IS OUR PLAN TO REQUEST THE CORPS OF ENGINEERS TO DO THE STUDIES FOR THE PROJECT.

ELECTRICAL POWER USAGE HAS INCREASED BY THIRTY PERCENT IN THE PAST TWO YEARS ON SAIPAN. THE FULL CAPACITY OF OUR POWER PLANT NOW ONLY MEETS OUR BASIC POWER NEEDS. A RECENT SUPER TYPHOON CRIPPLED OUR GENERATORS, WHICH HAS RESULTED IN PERIODIC POWER OUTAGES AND RATIONING. NEW GENERATION SYSTEMS ARE BEING DESIGNED AND CONSTRUCTED FOR THE ISLANDS OF TINIAN AND ROTA, BUT SAIPAN REMAINS THE SITE OF THE MOST CRITICAL DEMANDS.

FOR THE ISLAND OF SAIPAN, IN 1988 IT IS ESTIMATED THAT DAILY POWER REQUIREMENTS WILL HAVE EXCEEDED CURRENT CAPACITY OF OUR POWER PLANT. THE INCREASED DEMAND IS DIRECTLY ATTRIBUTABLE TO THE NUMBER OF NEW HOTELS AND EXTENSIONS TO EXISTING RESORT FACILITIES, MORE SMALL BUSINESSES,AND A LARGE NUMBER OF PLANNED

RESIDENTIAL UNITS AND SUBDIVISIONS WITHIN THIS SAME TIME FRAME. THE COST OF REPLACING AND UPGRADING POWER DISTRIBUTION, EXTENSION SERVICES TO RELATIVELY REMOTE AREAS, AND TYPHOON PROOFING OF THE ELECTRICAL SYSTEMS ARE VERY COSTLY. WE ARE PROVIDING FUNDS FOR THIS IMPROVEMENT IN OUR ANNUAL CIP FUNDS FROM THE SEVEN YEAR FINANCIAL AGREEMENT.

POWER SYSTEMS HARDENING AND PARTIAL UNDERGROUNDING. OUR EXPERIENCES HAVE EMPHASIZED THE NEED TO "HARDEN" THE POWER SYSTEM AGAINST TROPICAL STORMS AND TYPHOONS. ON SAIPAN, AND AS EXPERIENCED BY NEIGHBORING GUAM, THE DISTRIBUTION SYSTEMS ARE THE FIRST TO FAIL UNDER STORM CONDITIONS. POWER RESTORATION AFTER A TYPHOON IS SLOW, RESULTING IN COSTLY FOOD DAMAGES IN BOTH COMMERCIAL AND DOMESTIC SECTORS AND DELAYING TOTAL TYPHOON RECOVERY EFFORTS. THEREFORE, AN EVALUATION OF THE COST EFFECTIVENESS OF UPGRADING AND HARDENING TECHNIQUES HAS BEEN MADE IN THE SAIPAN POWER SYSTEM IMPROVEMENTS STUDY.

THE UPGRADING AND TYPHOON PROOFING OF THE POWER DISTRIBUTION SYSTEM ON SAIPAN, TINIAN AND ROTA HAS BEEN A HIGH PRIORITY PROJECT FOR SEVERAL YEARS, BUT HAS NOT BEEN IMPLEMENTED DUE TO THE UNAVAILABILITY OF FUNDS. CONSTRUCTION OF THE NEW SYSTEMS MUST BE UNDERTAKEN TO PREVENT SERIOUS DAMAGE FROM VIOLENT TROPICAL STORMS AND TYPHOONS, TO ENSURE AVAILABILITY OF ELECTRICAL POWER TO MEET THE RAPIDLY GROWING DEMAND FOR POWER IN THE POPULATION CENTERS, AS WELL AS TO PERMIT CONTINUED INDUSTRIAL, COMMERCIAL AND OVERALL ECONOMIC GROWTH. SUCH CONSTRUCTION WILL ALLEVIATE THE RECURRING ELECTRICAL OUTAGES ASSOCIATED WITH THE OPERATION AND MAINTENANCE OF THE PRESENT POWER DISTRIBUTION NETWORK AND REDUCE THE COSTLY AND EXCESSIVE VOLTAGE DROPS IN THE SYSTEMS.

WE REQUEST YOUR CONSIDERATION TO AUTHORIZE A TOTAL OF $18 MILLION, $10 MILLION TO BE APPROPRIATED DURING FISCAL YEAR 1988 AND $8 MILLION DURING FISCAL YEAR 1989 FOR SYSTEMS IMPROVEMENT ON THREE ISLANDS. DETAILS FOR THIS REQUEST FOR SAIPAN ARE INCLUDED AS ATTACHMENT NO. 1

SAIPAN PORTS AND HARBOR. THE EMERGENCY IMPROVEMENT TO THE EXISTING CHARLIE DOCK AND CONSTRUCTION OF A NEW DOCK FACILITY AT ADJACENT BAKER WHARF PLANNED UNDER PHASE I, WILL BE PARTIALLY FUNDED BY $11 MILLION FROM THE $140 MILLION BONDS FLOATED BY THE COMMONWEALTH DEVELOPMENT AUTHORITY IN 1986. THIS PHASE I CONSTRUCTION WILL INCLUDE DREDGING OF TURNING BASIN AND ENTRANCE CHANNEL, AND DREDGING OF BERTHING AREA FOR A TOTAL OF $14 MILLION, AND THE REPAIR OF BERTHING AREA IN TWO DOCKING POINTS FOR A TOTAL OF $11 MILLION INDICATED ABOVE AS THE NORTHERN MARIANAS SHARE. THIS IMPROVEMENT WILL ALLEVIATE THE IMMEDIATE AND URGENT NEED OF THE COMMONWEALTH FOR IMPROVED DOCKING FACILITY. HOWEVER, SERIOUS INEFFICIENCIES IN CARGO HANDLING WILL CONTINUE TO EXIST, RESULTING IN COSTLY TURN AROUND TIME FOR BOTH SHIPS AND CONTAINERS, CAUSED BY THE NON-EXISTENCE OF DOCKSIDE FACILITY TO EFFICIENTLY HANDLE CARGO AND PASSENGER VESSELS. SHIPS WILL CONTINUE TO BE DELAYED FOR LOADING AND UNLOADING, WAITING FOR AS LONG AS THREE DAYS IN MANY INSTANCES. THE TIME SPENT ON PORT IS COSTLY AND AN UNNECESSARY COST BURDEN PASSED ON ULTIMATELY TO THE CONSUMERS.

THIS YEAR WE ARE REQUESTING AN APPROPRIATION OF THE ALREADY AUTHORIZED FUNDS UNDER PUBLIC LAW 99-662 AS A FEDERAL SHARE OF THE $25 MILLION PHASE I DOCK IMPROVEMENT.

TOTAL PROJECT COST OF THE SAIPAN CHARLIE DOCK COMPLEX COMPLETE WITH TWO DOCKS AND BERTHING AREAS, STORAGE SPACE, AND SHORESIDE DOCK EQUIPMENT IS ESTIMATED AT $44 MILLION.

PHASE II INVOLVES IMPROVEMENTS OF CHARLIE DOCK TO MEET CARGO AND PASSENGER HANDLING FACILITIES TO ACCOMMODATE BOTH CARGO AND PASSENGER VESSELS AND INCREASED CONTAINER TRAFFIC.

WE REQUEST YOUR CONSIDERATION OF APPROPRIATING $14 MILLION DURING FISCAL YEAR 1988 FOR PHASE I OF THE SAIPAN HARBOR PROJECT. DETAILS ARE INCLUDED AS ATTACHMENT II.

AMERICAN MEMORIAL PARK. U.S. PUBLIC LAW 94-348 AUTHORIZES AN APPROPRIATION NOT TO EXCEED $3.0 MILLION FOR THE DEVELOPMENT OF THE AMERICAN MEMORIAL PARK. THE PARK ENCOMPASSES 133 ACRES OF

PRIME COASTAL AREA IMMEDIATELY ADJACENT TO THE MAJOR HOTEL DISTRICT AND HARBOR FACILITIES ON SAIPAN. IT IS A MEMORIAL FOR THE AMERICAN SOLDIERS AND CIVILIANS WHO GAVE UP THEIR LIVES IN THE NORTHERN MARIANA ISLANDS DURING WORLD WAR II. IN ADDITION, THE PARK WOULD SERVE AS A MAJOR ATTRACTION TO TOURISTS AND RESIDENTS FOR RECREATION AND SPORT ACTIVITIES.

THE NATIONAL PARK SERVICE HAS BEEN AUTHORIZED TO PLAN, DEVELOP AND ADMINISTER THE PARK. THE PARK, AS PROPOSED IN THE PHYSICAL DEVELOPMENT MASTER PLAN FOR SAIPAN, PROVIDES FOR A PHASED DEVELOPMENT. THE FIRST PHASE IS ESTIMATED TO COST $3.0 MILLION.

WE REQUEST YOUR CONSIDERATION TO APPROPRIATE THE $3.0 MILLION DURING FISCAL YEAR 1988. DETAILS ARE INCLUDED AS ATTACHMENT III.

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE. I AM PREPARED TO ANSWER QUESTIONS THAT THE COMMITTEE MAY HAVE. THANK YOU.

STATEMENT OF BENJAMIN T. MANGLONA

I am Senator Benjamin T. Manglona, Chairman of the Senate Fiscal Affairs Committee of the Fifth Northern Marianas Commonwealth Legislature. Accompanying me is Senator Manuel P. Villagomez, our Legislative Secretary and Vice-Chairman of the Senate Fiscal Affairs Committee. Before I begin my testimony on our budget request for Fiscal Year 1988, I wish to congratulate you, Mr. Chairman, on your selection as the new chairman of this distinguished sub-committee. Also, I wish to extend my warmest greetings on behalf of the people of the Commonwealth of the Northern Mariana Islands to all of you, especially to the new leadership and new members of your Subcommittee. It is my hope that our Commonwealth may continue to merit the valuable bipartisan support and friendship of your Sub-Committee we have always enjoyed in our previous budget presentations.

Although I have appeared before this Sub-Committee on many occasions, I am happy to say that this is the first time that I am appearing as a proud fellow American Citizen. As you very well know, the proclamation by our President Ronald Reagan on November 3, 1986, finally ended the United Nations Trusteeship Agreement for the people of the Commonwealth. Our long-awaited dream of becoming full-fledged American citizens has finally been achieved - - and we have completed the final process in our Commonwealth Covenant agreement that was overwhelmingly approved by our people in a plebiscite in June 17, 1975.

CITIZENSHIP ISSUES

American citizenship is still a unfulfilled dream for some of our people. We regret to say that the United States Government has not truly honored the real intent and spirit of the Covenant as intended by its framers. The U.S. Government's unilateral interpretion of the Covenant denied some of our people in the Northern Marianas their right to become U.S. citizens, as was promised under our Covenant.

The framers of our Covenant, of which I was a proud and active participant, mutually agreed to grant U.S. citizenship to all citizens of the Trust Territory who met the domicile requirements at the termination of the Trusteeship Agreement. We find it very ironic and disturbing for the federal government to base its decision on this most important issue on an obscure provision of the Trust Territory Code which allowed children born in the Commonwealth, having at least one parent who is a citizen of a foreign country, to be claimed a citizen of that foreign country. We believe that it is grossly unfair to deny some of our citizens their rightful entitlement to a U.S. passport and American citizenship. The framers of this historic Covenant agreement intended that only one parent needed to be a Trust Territory citizen in order for their children to become U.S. citizens.

We understand that the Department of the Interior is now proposing legislation to this Congress to rectify this unfortunate misunderstanding and the misinterpretation of the Covenant. To us, the Covenant is a sacred document which immortalizes the unique relationship between our two governments, and any attempt by the U.S. Government or the U.S. Congress to unilaterally modify or amend it would, in my opinion, violate the mutual consent provision of the Covenant. Because of this provision, the U.S. Government and the U.S. Congress must not treat the Commonwealth of the Northern Mariana Islands like a U.S. territory . While our Covenant recognizes U.S. sovereignty in the Commonwealth, that sovereignty is specifically limited only to those applicable provisions in our Covenant. As a result, we are beginning to doubt the integrity of the U.S. Government for not recognizing and preserving in good faith the real meaning and intent of the Covenant as envisioned by its framers. However, in anticipation of possible differing interpretations between our two governments, a generally accepted analysis and interpretation of the Covenant suggests that if any misunderstanding arises, it is incumbent upon the United States to rule in our favor.

Resolution of the citizenship issue is the most important non-financial matter to be resolved by the United States and the CNMI Governments. The denial of U.S. citizenship and the ability to travel with a U.S. passport for some 500 to 600 hundred individuals has created great hardships on them and their families. Right now, within the Northern Mariana Islands Legislature, we have two Congressmen in this non-citizen catagory and their eligibility to run for re-election is in serious doubt because of our Constitutional requirement that the candidate must be eligible to vote (Section 3c, Article II). Only U.S. citizens or nationals are eligible to vote (Art. VIII). This was not an issue until November 3, 1986, when our President Ronald Reagan declared the Covenant to be in full force and effect, and Trust Territory citizenship was no longer existent.

We believe the U.S. Congress expressed its intention in this matter in P.L. 98-213. However, the Passport Division of the State Department now refuses to accept this intention and is advocating additional congressional action.

Mr. Chairman, we need your assistance in resolving this matter through administrative action so that all of our people can join the American family. Our people should not be denied their rightful place in the American "political family" due to insensitive and narrow federal policies that incorrectly interpret our new political relationship. These policies must take into account our special situation and circumstances as a former Trust Territory.

IMMIGRATION

Control of immigration rests with our government, and we are cognizant of our responsibilities in these matters. We are also sensitive to the United States concerns over immigration in the Commonwealth. We are pleased to inform you that the Legislature has, after many months of debate, recently transmitted to our Governor a comprehensive bill which overhauls our existing immigration and nonresident workers act. We have also been informed that our Governor will probably sign the bill over the objections by certain special interest groups.

The bill addresses many of the concerns which have been expressed by the United States and which were of deep concern to us. We were guided by our desire to close certain loopholes in the existing law while at the same time not harming the tourist boom we are now experiencing.

The major points of the bill are: 1) it will no longer allow nonresident workers to have the benefits of permanent residents unless they comply with applicable U.S. residency or naturalization laws. 2) substantial sums from nonresident permit fees are reserved for the Northern Marianas College to be used exclusively for vocational and apprenticeship training so that we can better supply the needs of private industry with local workers thus reducing the need to import foreign workers, and 3) it provides further protection for the nonresident workers from employment abuses by unethical employers.

HEADNOTE 3(A) ISSUES

As to the matter of industries which heavily rely on nonresident workers, We are pleased to inform you, Mr. Chairman, that last week our House of Representatives passed and sent to the Senate a bill which places a 24-month moratorium on the entry of additional garment manufacturers into the Commonwealth so that we will have time to develop and expand our much needed infrastructure and analyze the impact of the garment industry on the Commonwealth.

As background information about the garment industry in the Commonwealth and its relationship to Headnote 3(a), it was agreed during last year's 902 Covenant negotiations that the Commonwealth be provided with a special provision affording the Commonwealth the same benefits as Guam's garment industry. In addition, Section 701 of the Covenant says that the United States will assist the Northern Marianas in its efforts to achieve a progressively higher standard of living as part of the American economic community. Section 904 (a) of the Covenant requires the United States to give sympathetic consideration to the views of the Commonwealth on international matters that directly affect our islands. Thus, the resulting exemption from U.S. minimum wage laws, in addition to Headnote 3(a), and the ability to hire non-resident workers, were provided in the Covenant as a recognition that without such provisions, there would be very little development of our private sector. However, now that we are beginning to benefit from these negotiated rights we now see the federal government wanting to change these agreements.

We have heard some federal officials chastise our leaders for depending too heavily on federal funds and exhorted us to take advantage of Headnote 3(a) provisions. We are strongly determined to working towards more self-reliance, and by implementing Headnote 3(a) provisions we are creating the beginnings of an industrial base and are also gradually replacing alien garment factory workers with local workers. Based on what I viewed as a federal commitment to abide by the Covenant guarantees, we decided to act. Now that we have done so, we are alarmed by protectionist legislation now being considered by this Congress, which would leave our new garment industry out in the cold. Therefore we ask this Congress to help protect this viable new industry in our islands, and not force us to take a "back seat" to foreign competition and foreign garment-producing nations in this regard, and to live up to the commitments contained in the Commonwealth Covenant.

At this point we feel it is important for your Sub-committee, Mr. Chairman, and the U.S. Congress to keep in mind that thanks to our new textile industry, we are now beginning to see a strengthening in our local ecomomy. We are also seeing more jobs being created in the private sector, and our tax base is expanding. In 1977, for example, 80 percent of our government expenditures came from federal spending; in 1986, 80 percent of government expenditures were funded by local taxes. In addition, more than 550 new jobs for local residents have been created, and more are guaranteed every year as our people are now learning new skills to fill these jobs currently held by non-resident workers. Estimates for tax direct revenues from garment manufacturers this year are expected to reach

$5 million, which represents about one-sixth of the total taxes now generated in the Commonwealth. These figures do not include revenues that will be generated by local withholding taxes, or new jobs that will be generated in related service industries.

ECONOMIC DEVELOPMENT ISSUES

About one year ago, the U.S. Congress approved the multi-year financial assistance for the Commonwealth Government. This financial assistance will materially aid our efforts to achieve self-reliance and continued economic development. We can now move forward with more efficient planning for use of these funds pursuant to U.S. Public Law 94-241, which is the Commonwealth Covenant.

Building a better financial foundation for the Commonwealth has also been a key concern of our citizens and local government. Last year, a constitutional amendment was approved which set a $2.8 million budget ceiling on the operational costs of the Legislative Branch of our government. This represents an estimated 45% decrease in spending from previous years, and, to us, demonstrates a good faith commitment by our people to make the Legislative Branch of our government function in a business-like manner.

Economic activity in the Commonwealth has seen remarkable gains in self-support. In the past ten years, locally generated revenues have increased from $5 million to $50 million due to expanded economic growth in business, construction, tourism, and increases in Commonwealth government services. While this growth may seem impressive, the standard of living and level of public services available to our people still lag far behind the typical mainland community.

We believe, however, that the progress we have seen is attributed to the efforts that have been made to develop our economy, in business, construction, tourism, local autonomy, and guaranteed by multi-year financial assistance.

In keeping with our commitment under the Covenant multi-year funding agreement, during the past year a Task Force on Privatization of Government Services was created. A preliminary report was prepared and submitted to our Governor and our Legislature which focuses on forty (40) services that are currently provided by our government which range from utilities, repair and maintenance of public facilities, security, janitorial services, and so forth. To quote from the Privitization report: we find that "a privatization program is needed to: reduce the burden that taxpayers bear for the cost of government;

strengthen the ways in which public services are provided; expand private sector participation in the provision of government services; . . . and provide a fair and open process to encourage local business involvement and broad base competition".

Developing our own laws and policies - - our unique tax system is a good example - - has given us the flexibility to adapt to local conditions and needs. Guaranteed funding permits us to move forward with long range plans for heavy infrastructure development to meet our present needs and future growth.

Based on our past experience, these infrastructure needs will continue to grow substantially. Since 1978 our gross economic product has increased approximately 400 percent while the number of wage earners more than doubled, and individual income rose some 250 percent.

Our leading industry, tourism, has played a key role in these developments. In the last decade, visitor arrivals jumped from 55,000 to more than 157,000 annually. Our present hotel capacity is 1,414 rooms and another 762 rooms are under construction. Our official estimates indicate that visitors to our islands may number 400,000 annually by 1995.

To keep pace with these new developments, we are addressing the problem of unmet infrastructure development projects by floating a tax exempt $140 million revenue bond. This will provide our government with maximum leverage to overcome the huge contraints that hinder development because of the need to up-grade our public facilities. Guaranteed by the Covenant Multi-Year Funding, the bonds will permit us to meet our most pressing and urgent needs. This is especially true today, as we struggle to meet the demands of a growing residential, commercial, and tourist population. We believe that this creative financing effort, that has been endorsed by the U.S. government, will help provide the immediate up-front funds that we need to finance urgently needed CIP projects, such as power, water, sewer, roads, buildings and other improvements for Saipan, Rota and Tinian in addition to other needs. In fact, a key official of the Interior Department has referred to the bonding as ". . . a significant resource to the NMI." However, the integrity of the $140 million bond issue for infrastructure is dependant upon the Covenant funds being received as scheduled in the Multi-year Financial Agreement so that those funds may be placed in an irrevocable trust. If the Covenant funds are not received as scheduled, the Commonwealth Development Authority (CDA) will default on its obligation to the bond holders. The Department of Interior's continued withholding of Covenant funds jeopardizes the entire bond issue and places the development of infrastructure back many years.

COMMONWEALTH UTILITIES CORPORATION (CUC)

In November 1986, the Board of Directors for the Commonwealth Utilities Corporation ("CUC") was confirmed by the Senate and it began organizing. CUC is a new government corporation which is playing an important role in the improvement and cost reduction of the utilities for the Commonwealth. Although its initial efforts were seriously hampered by Supertyphoon Kim, progress has been made in fulfilling its duties as set forth in Commonwealth P.L. 4-47. Proposals have been solicited from private companies on how to:

1) improve water and power distribution,
2) implement the Commonwealth Interim Capital Improvement Strategy,
3) privatize the utilities in the Commonwealth.

Some of these companies have submitted specific proposals to actually take over the utilities. It was announced at the April 20, 1987, CUC Board Meeting that the various proposals had been narrowed down to three companies and a final selection should be made within a few weeks. We are sure your Sub-committee can appreciate the fact that because of the highly technical nature of the proposals, the review process is rather lengthy.

The Commonwealth government is in full support of Commonwealth P.L. 4-47 which mandates that the utilities while still a government service and responsibility may be in whole or part contracted out to be operated by private industry because experience shows that they can be more efficient and will not require the support of tax funds for operations. The CUC is also mandated to be self-sufficient by 1990.

COMMONWEALTH HEALTH CENTER

We are also happy to report to you that just three weeks ago, we officially dedicated our new Commonwealth Health Center on Saipan. We are very proud of our new health facility and are grateful for the generosity of the U.S. Congress, and especially to you, Mr. Chairman and your Sub-committee, which approved our over-ceiling budget requests several years ago. With the completion of this modern health facility, we can now save thousands of dollars each year in for medical referral expenses to hospitals in Guam, Hawaii, and the U.S. Mainland. To help us meet the $13 million annual operating cost for the new Health Center, we are improving our billing and collection systems. Furthermore, our Legislature is considering a bill that would provide health insurance for our government employees with options available to the private sector. We feel that this new funding initiative will greatly improve our hospital operations, and that in the end, hopefully, our people will be afforded good health services under a health insurance program that will prove to be self-supporting.

Fortunately for our people, especially our medical staff and infirmed, we were able to move into our new Commonwealth Health Center just before Supertyphoon "Kim" struck the Northern Marianas in full force in December causing major damage and destroying some 200 homes, and displacing 2,000 residents. Unlike much of the rest of Saipan's facilities, the new Health Center withstood the 193 miles per hour sustained winds and rain, and continued to operate while the rest of the island, including the former hospital, was deprived of power and water for several weeks.

Our people are also most grateful for the speedy assistance that was provided by the United States Government and its agencies such as FEMA, Army Corps of Engineers, the Navy, and others, including the American Red Cross. Thanks to the efficient and quick response of the United States Government, the military, the Government of Guam, and the combined efforts of our local government and the spirit of our people in that time of crisis, together, we were able to recover and rebuild.

URGENTLY NEEDED DEVELOPMENT PROJECTS

Now I would like briefly to describe some important projects that are urgently needed for development in the Commonwealth.

In previous years, certain projects, such as the new Health Center, have been funded by over-ceiling appropriations. Experience has shown that our Multi-year Covenant funding is not sufficient to fully meet some of our most essential needs. Oftentimes it has been necessary to fund certain key projects on a phase-by-phase basis, especially to help fund our unmet infrastructure needs which are vital for our development.

To meet the demands of our citizens, our growing residential, business, and tourist populations, we have identified specific projects that need to be completed in the very near future which require funding through over-ceiling appropriations. We, therefore, appeal to this Subcommittee to seriously consider our over-ceiling requests as follows:

HARBOR AND PORT DEVELOPMENT--SAIPAN, TINIAN & ROTA

Ports and harbors are the lifeline of the islands of the Commonwealth. However, our ports at Saipan, Tinian, and Rota have very urgent and pressing needs for improvements.

On Saipan, shipping activities at the Saipan Commercial Port have doubled during the past three years. It is not uncommon to see three or four ships moored outside the Saipan harbor waiting their turn to dock at the limited berthing area. The dock and harbor have been repaired and rehabilitated after the numerous tropical storms and typhoons that have passed through our islands since the facility was built during World War II. But the main dock and berthing areas remain in a state of disrepair due to age and constant weathering. Several huge concrete blocks that form the face of the pier have shifted, and this causes everyone to question the true load-bearing capacity of the Saipan dock, which because of its limited size, has become somewhat of a "bottleneck" to commerce in the CNMI.

A recent study by the Army Corps of Engineers states that vessels with drafts greater than 20-feet risk the danger of grounding and reports that several vessel operators have "felt" bottom at the entrance channel. The study stresses the need to deepen the channel and the turning basin to 35-40 foot range to safely accomodate larger vessels. Such dangers now posed by the shallow depths all but preclude larger container vessels and passenger liners from calling at the Saipan port. Consequently, cargo from such vessels must be off-loaded at the Port of Guam, and then transshipped to Saipan with the extra costs passed on to our people, both the public and private sectors, who are struggling so hard to develop our island economy. In fact, the two military pre-position supply ships that have been based at Saipan since November 1986 cannot even enter the harbor.

The Army Corps of Engineers has recommended a three phase project to expand and modernize the Saipan Harbor and Port facilities: Phase I would link Charlie Dock with Baker Dock into a single modern dock complex at a cost of $29.6 million. Phase II would enlarge the entrance channel, construct a warehouse and pave the entire area for $18.9 million. Phase III would add a gantry crane and passenger terminal and maintenance building for $14.6 million, and would open up the

Commonwealth to direct shipping lines from larger container ships and passenger vessels. Mr. Chairman, if your Sub-committee could favorably consider at this time an over-ceiling request for Phase I in the amount of $29.6 million, the Saipan Port will be able to better sustain and support the on-going healthy economic development of the Commonwealth.

On the nearby island of Tinian, the harbor, entrance channel, and turning basin are deeper than Saipan's, and have the capability to accomodate deeper draft vessels, including military warships. Currently the harbor is used mainly by commercial vessels, including a large contingent of tuna fishing vessels engaged in transshipment operations.

Recently the Defense Department exercised its option to use the harbor, and a joint-use agreement gives the military priority to use up to 80 percent of the entire complex. The harbor's breakwater, however, is a major problem. Advanced deterioration at several points has placed the breakwater in danger of failure, and as a result the harbor facilities may be subject to direct wave action during the next tropical storm or typhoon. According to the Army Corps of Engineers, unless immediate repairs are made, there is imminent danger to the dock structures, in addition to danger to the small boat marina and other commercial boats and fishing vessels that use the harbor. It is estimated that approximately $4 million will be required for this purpose. The responsibility for the repair and maintenance of the breakwater, however, belongs to the United States Government since it is within the area that is leased under Sections 802 and 803 of the Commonwealth Covenant and its related Technical Agreement which governs relations between the Department of Defense and the Commonwealth government. Part II, Section 1, states in part: ". . . When the United States upgrades the existing harbor, the Government of the Northern Marianas will upgrade its 600 feet of wharf space or reimburse the United States for having such services performed as part of the United States construction project . . ."

The Technical Agreement which is a part of the first 50 year Tinian Lease Agreement (Part III), provides for close coordination for planning between the United States and the Government of the Northern Mariana Islands (Part III,4.A.) through a joint Civil-Military Advisory Council. The establishment of this important Council should now be formed in order to effectively coordinate the United States and Commonwealth of the Northern Mariana Islands infrastructure needs now that the Navy has announced its plan to install three radar tracking stations and increase the number of pre-positioning ships at the island of Tinian and Saipan.

Therefore, we urge your Subcommittee to request the Department of Defense to establish the joint Civil-Military Advisory Council. We also request an immediate $4 million over-ceiling appropriation from this Congress, or through a $4 million military construction appropriation as an alternative, to fulfill the important responsibility to upgrade the breakwater as soon as possible to better protect America's investment for future military options on Tinian. As to possible future use of Tinian by the military, we reassure the U.S. Congress that the Government of the Commonwealth of the Northern Mariana Islands stands ready to assist the United States in carrying out its defense responsibilities in the Western Pacific.

Rota Island is not blessed with a natural harbor like Saipan and Tinian. The island is practically surrounded by a reef with few narrow channel entrances. In addition, commerce is seriously hampered by unreliable shipping service. Consumable items, equipment, supplies and materials costs are about 30% higher in Rota than the neighboring islands because of transshipment and high ocean freight rates.

Rota's West Harbor is the island's main port. It was built during the Japanese administration so that small boats could transport sugar and other raw materials, including agricultural products, to vessels anchored off-shore for shipment to Japan. During the Trust Territory administration, practically no major improvements took place on Rota despite numerous public out-cries for improvement during the past forty years.

Most recently, improvements at the Rota port and harbor were made possible by the Army Corps of Engineers. This was done in 1984 under its discretionary funding authority and with local funds from the Government of the Northern Marianas. But even with the completed improvements, the harbor is predominately a shallow-draft harbor and cannot accomodate larger ocean-going vessels.

Future plans for harbor improvement call for additional widening of the channel entrance, construction of a breakwater, dredging of the vessel turning basin, expansion of the pier area, and construction of additional port related facilities. The funding requirement for this improvement amounts to $2.0 million. These improvements will make Rota Harbor safe and navigable for larger vessels, and greatly improve commerce between the islands and help reduce high shipping costs. Such a reduction in the current high cost of essential goods and materials would greatly benefit our people on Rota, who now pay the highest consumer prices in the Northern Mariana Islands, and from a lower per capita income base.

RENOVATION & REMODELING OF THE FORMER DR. TORRES HOSPITAL COMPLEX FOR THE NORTHERN MARIANAS COLLEGE

The growth of our College in recent years has been quite impressive. Our student enrollment is 594, a 38 percent increase over last year, and a 216 percent increase over five years ago. Within the next five years we expect more than 1,000 students to be earning college credits in subjects ranging from Accounting to Computer Science, and Travel Industry Management. To accomodate this growth, the former Dr. Torres Hospital complex, located adjacent to the college, has now been turned over to the college, hopefully to be converted into classrooms, library and administrative offices. In fact, a bill now pending before Legislature proposes to formally deed the entire area and complex to the college. However, the facility, which was built during the Naval administration, is dilapidated and major renovations and remodeling are needed to restore the predominantly concrete buildings. A substantial amount of money can be saved in the long run by remodeling now, rather than constructing new buildings, at much higher costs, at some future date. In addition, just last month our college finally joined the rest of the U.S. territories and 50 states in being awarded Land Grant status. Now for the first time since World War II, the doors are wide open to organized technical assistance that will enable our islands to mount a full-fledged agricultural education program. With these new resources, our college can directly assist in the expansion of our agricultural sector and help meet the increased demands for fresh fruits and vegetables from our fast growing tourist industry.

To meet this unprecedented growth and expansion of the campus, and to purchase the necessary collateral equipment, our college planners estimate that approximately $1.5 million is needed in an over-ceiling appropriation to meet these immediate needs. If our request in the 1988 budget is approved, your newest citizens will be guaranteed immediate access to an affordable institution of higher learning and increase their wage earning and tax paying potential in the years ahead.

MELON FLY ERADICATION

Our arable and fertile lands, if fully developed can provide us with an abundance of local fruits, vegetables and root crops for our growing residential and tourism populations. Yet this potential is threatened by a serious infestation of the melon fly, which has spread northward throughout the Northern Mariana Islands from the nearby U.S. Territory of Guam.

After the harmful pest was discovered on Rota, a joint request was made by Government of Guam and the Commonwealth government in 1983 for assistance from the Department of Agriculture. Experts from USDA's plant protection offices visited the islands to investigate and make recommendations. On my home island of Rota, for example, they found that the problem was so serious that a quarantine has been imposed on all agricultural exports. Needless to say, this has had a very negative impact on our farmers in the four years that have passed since then. However, because nothing has been done, the harmful pest has now spread north to Tinian and Saipan, the full impact of which is yet to be determined.

The melon fly is a very harmful insect that attacks fruits and vegetable production. It is so harmful that it prevents young fruits and vegetables from maturing and ripening. Because of this problem, our people are discouraged from active farming. As an example, let me call your attention to the problem of the State of California several years ago where the cultivation of oranges is a major industry. Several years ago, the Mediterranean fruit fly posed a serious treat to this industry, but with the help of the U.S. Congress and the U.S. Department of Agriculture, a crash eradication program was initiated. Due to this program, the fruit flies were successfully eradicated.

The solution to our melon fly problem according to the USDA experts, is to attack the problem simultaneously on all the islands, including Guam, to eradicate and prevent future re-infestation. They recommended several eradication methods and estimated that about $4 million would be required to accomplish the project in a two to three year effort.

Funding, however, is a problem for both Guam and the Commonwealth of the Northern Mariana Islands. Meanwhile, the problem presents an emergency situation as the melon flies continue to reproduce in alarming proportions and the infestation becomes more entrenched. For these reasons, I wish to ask for the assistance of this Subcommittee and the U.S. Congress in providing an over-ceiling appropriation for this urgent eradication project.

WAR CLAIMS

The people of the Northern Marianas were victimized in a terrible war that we neither supported nor had any interest in. However, we are thankful and grateful for the brave Americans who lost their lives, and those who fought so courageously to liberate us.

Our people suffered and many died from sickness, hunger and malnutrition, and many died from aerial and warship bombardment. Our beautiful islands were devastated and all of our agriculture, our traditional food crops, and fruits, which provided our daily bread, were totally destroyed. Our personal belongings were also totally destroyed, and in the end we were put in a dilemma: the United States and Japan were not willing to admit that they were legally responsible for our losses and suffering. Instead, they wanted us to feel that they were generous nations, and were simply willing to help us.

After many decades of repeated petitions to the U.S. Congress and the United Nations, a Micronesian War Claims Commission was finally created in 1971 to resolve this issue for the entire Trust Territory, which includes the Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, the Republic of Palau, and the Marshall Islands. The Commission determined that some $34.3 million was a fair and just compensation for all the islands under Title I, and that claims due under Title II amounted to approximately $32.6 million. While a portion of these claims were paid by the United States, about $24 million still remains to be paid under Title I, part of which included claims for the Commonwealth of the Northern Marianas. More than forty years of waiting desperately is too long, and we sometimes wonder how much longer we have to wait. Some of our people who have legitimate claims have already died. Other are very old and their remaining lifetime may be very short. It is a shame that their rightful entitlements were not released during their lifetime to benefit them. A great and rich nation has failed us. These sentiments which I am conveying to your Subcommittee today are shared by all of our people in the Northern Marianas, whom I have the honor to represent before your Subcommittee here today.

Under Title I of the 1971 Micronesian War Claims Act, Japan was to pay 50 percent of the claims. But an agreement signed in 1969 by Japan and the United States freed Japan of any future liabilities for war claims. Our leaders repeatedly, for many years, called upon the Government of Japan to make a good faith effort to compensate the people of The Trust Territory, including the Commonwealth of the Northern Marianas, for the remaining 50% unpaid balance due under Title I War Claims Compensation. Despite all our efforts, the Government of Japan always refused to discuss the issue, and would refer us to the 1969 signed agreement that freed Japan of any future liability for war reparations. Since that time, however, the Government of Japan has been generous to the other former Trust Territory islands which qualify for foreign aid. It is our understanding that certification affirming that Japan's economic assistance to Micronesia is equal to the 50% of the Title I unpaid balance would pave the way for an early resolution to this long-standing problem. We have learned that the State Department has complied with this request by your Sub-committee and the U.S. Congress. It is now up to your Sub-committee, Mr. Chairman, and the U.S. Congress to give us its most sympathetic consideration by expediting the long-overdue appropriation to fairly and justly compensate our people in accordance with the 1971 Micronesian Claims Act and U.S. Public 95-134. Consequently, we urge your Subcommittee to ask this Congress to fulfill its long-standing obligation to our people and the rest of the Trust Territory islands in this regard.

AMERICAN MEMORIAL PARK

Those American servicemen who fought so bravely and proudly, and those who gave their lives and made the supreme sacrifice for their country and for our freedom during the Second World War certainly deserve honor and praise from all of us. It is therefore, most proper and fitting that those brave American soldiers, sailors and marines who fought the enemy on our soil, be honored and be remembered forever in a living memorial to be known as the "American Memorial Park" which is proposed to be constructed on the island of Saipan. U.S. Public Law 95-348 authorized that $3.0 million be appropriated for the design and construction of the American Memorial Park on Saipan to serve as a constant reminder of the many thousands of Americans who made the ultimate sacrifice on our islands.

In this context, Korea, Japan, and Okinawa long ago built memorials to honor their war dead in the Commonwealth, and to me personally, it is somewhat embarassing that no such fitting memorial exists from our own nation, the United States of America. Our American veterans would be most honored and grateful if this Sub-committee and the U.S. Congress would consider our over-ceiling request to initiate this project in honor and in memory of those who laid down their lives to liberate our islands and to fulfill its mandate of U.S. Public Law 95-348 by providing an over-ceiling appropriation for this purpose.

CULTURAL HERITAGE AND PERFORMING ARTS CENTER

The need for a dual purpose Cultural Heritage and Performing Arts Center for the Commonwealth was first recognized many years ago. The need for such a facility is quite great because there are no facilities that can meet even the minimal requirements for a performing arts area to provide cultural nourishment, or to assist in local arts development, with the added benefit of possibly enhancing tourism.

Planning for such a center has been in progress for the past five years. Architectural studies envision a 900 seat theater, visual arts gallery, and cultural heritage and performing arts center, which could also be used by various community organizations, government agencies, and the tourist industry. We visualize the center as being the "heart" of the Commonwealth, a place to joyously celebrate our rich culture and traditions, and we expect the facility to be in high demand.

Construction costs have been estimated to be approximately $2.4 million for the Cultural Heritage and $3.4 million for the Performing Arts for a total of $5.8 million. If the total project cannot be fully funded by an over-ceiling appropriation at this time, partial funding on a phase-by-phase basis would make this project a reality. Because traditional culture and the arts are intergral to the lives of our people, such a facility would result in expanded cultural activities and have positive impact on the local community and economy.

RECAPITULATION

To recap briefly, I have highlighted key areas where the Commonwealth has critical concerns that need to be included in the FY 1988 Appropriations as over-ceiling requests. These include:

Saipan Harbor and Port Improvement-Phase I	$ 29.6 million
Tinian Harbor and Breakwater	4.0 million
Rota Harbor and Port Improvement	2.0 million
Northern Marianas College	1.5 million
Melon Fly Eradication	4.0 million
Micronesian War Claims	24.0 million
American Memorial Park	3.0 million
Cultural and Performing Arts Center	5.8 million

CONCLUSION

Mr. Chairman, this Subcommittee has been especially receptive and understanding in the past in assisting our new Commonwealth government in providing vital public services to our people. As such, we are very grateful and deeply appreciative of your continued good will, support, and special attention to our urgent financial needs. While we recognize the many demands that are placed on this Congress in leading this great nation, it is my sincere hope, and that of all our people, that you will accomodate these special needs that are so important to our continued growth, development, and well-being. On behalf of America's newest and proudest citizens in the Western Pacific - - the people of the Commonwealth of the Northern Mariana Islands - - it has been my pleasure and privilege to offer this testimony to your distinguished Subcommittee and to outline our urgent needs; and as we say in the islands, "Hafa Adai and si yuus maase."

Thank you.

STATEMENT OF FROILAN C. TENORIO

MR. CHAIRMAN AND MEMBERS OF THIS SUBCOMMITTEE., THANK YOU FOR THE OPPORTUNITY TO PRESENT MY TESTIMONY ON THE PRESIDENT'S FY88 BUDGET REQUEST FOR THE NORTHERN MARIANA ISLANDS.

BEFORE PROCEEDING, LET ME NOTE FOR THE RECORD MY CONTINUED APPRECIATION FOR YOUR PAST SUPPORT OF FEDERAL FUNDING FOR THE NORTHERN MARIANAS. YOUR CONTINUED FRIENDSHIP IS OF GREAT VALUE TO THE COMMONWEALTH AS WE SEEK TO DEVELOP BOTH OUR RESOURCES AND OUR NEW STATUS INTO A POLITICALLY AND ECONOMICALLY VIABLE COMMUNITY WHICH WILL REFLECT PROUDLY ON THIS NATION, THIS SUBCOMMITTEE, AND OURSELVES. AS A REPRESENTATIVE RESIDING IN WASHINGTON, I FULLY RECOGNIZE THE INTENSE ECONOMIC PRESSURES FACING THE CONGRESS AND THIS SUBCOMMITTEE IN PARTICULAR IN FISCAL YEAR 1988.

TURNING NOW TO THE BUDGET, I FULLY ENDORSE THE PRESIDENT'S REQUEST OF $34.36 MILLION FOR THE NORTHERN MARIANAS. IT IS IN LINE WITH THE FUNDING LEVEL REACHED IN OUR 1986 FUNDING AGREEMENT AND AUTHORIZED BY P.L. 99-396 AND REFLECTS THE REQUIREMENTS OF OUR GOVERNMENT, COMBINED WITH OUR LOCALLY GENERATED REVENUES, FOR OPERATIONS, CAPITAL IMPROVEMENTS AND ECONOMIC DEVELOPMENTS.

I ALSO URGE THE SUBCOMMITTEE TO CONSIDER ONE VERY IMPORTANT ADDITION TO THE INTERIOR BUDGET. AS YOU KNOW, WE WERE STRUCK BY A SEVERE AND EXTREMELY

DAMAGING TYPHOON IN THE COMMONWEALTH LAST DECEMBER. IN ADDITION TO THE EXTENSIVE DESTRUCTION DONE BY THE TYPHOON TO PRIVATE PROPERTY, THE STORM WREAKED HAVOC WITH OUR UTILITY SYSTEM, KNOCKING DOWN OVER 300 POLES AND LEAVING SAIPAN AND TINIAN WITHOUT POWER AND WATER FOR AN EXTENDED PERIOD OF TIME.

THIS IS NOT THE FIRST TIME OUR ISLANDS UNWILLINGLY HOSTED A MAJOR STORM, NOR WILL IT BE THE LAST TIME. WHILE WE CANNOT PREVENT STORMS, WE MUST TAKE ACTION NOW TO PREVENT FUTURE STORMS FROM CAUSING MAJOR AND LONG TERM DAMAGE TO OUR UTILITIES. UPON HEARING OF THE TYPHOON, I IMMEDIATELY WROTE MEMBERS OF CONGRESS URGING THEM TO CONSIDER ADDING TO THIS BUDGET FUNDS FOR TYPHOON-HARDENING OF OUR UTILITIES. I AM PLEASED TO REPORT THE INITIAL RESPONSE I RECEIVED TO MY REQUEST FOR HARDENING FUNDS HAS BEEN HEARTENING. A SIMILAR PROJECT WAS DONE FOR GUAM A FEW YEARS BACK WITH EXCELLENT RESULTS.

THE GOVERNOR HAS INCLUDED IN HIS BUDGET A REQUEST FOR A TOTAL FUNDING OF $13.240 MILLION, WITH $6.9 MILLION TO BE APPROPRIATED IN FY88. YOUR ACCEPTANCE OF THIS REQUEST WILL PERMIT THE WORK TO BE STARTED IMMEDIATELY. I STRONGLY RECOMMEND ITS APPROVAL TO PROTECT OUR CITIZENS FROM FUTURE LONG-TERM DISRUPTIONS OF ESSENTIAL PUBLIC SERVICES IN THE EVENT OF FUTURE STORMS.

THERE IS ALSO ONE ITEM LEFT OVER FROM THE TT TRUSTEESHIP WHICH REQUIRES THE IMMEDIATE ATTENTION OF THIS SUBCOMMITTEE. I REFER TO THE UNPAID WAR CLAIMS COMPENSATION AND THE RELEASE OF FUNDS YOU PREVIOUSLY PROVIDED FOR THE TRUST TERRITORY PRIOR SERVICE FUND.

I CANNOT STRESS TOO STRONGLY THE NEED FOR CONGRESS TO APPROPRIATE THE FINAL $24 MILLION FOR THE WAR CLAIMS. FOUR DECADES IS LONG ENOUGH FOR THESE PEOPLE TO WAIT FOR ECONOMIC JUSTICE FROM THE RAVAGES OF A WAR THEY NEITHER WANTED NOR COULD PREVENT. GOVERNMENT OFFICIALS ENDLESSLY ARGUE OVER BUREAUCRATIC ROADBLOCKS TO THE RELEASE OF THESE FUNDS. BUT THE INNOCENT VICTIMS WHO SUFFERED THROUGH THE FIGHTING IN THE NORTHERN MARIANAS AND ELSEWHERE IN MICRONESIA ARE GOING TO THEIR GRAVES IN EVER INCREASING NUMBERS WITHOUT ANY HOPE THAT THEIR CLAIMS FOR A FEW HUNDRED DOLLARS WILL BE RESOLVED BY WASHINGTON. THESE PEOPLE REMAIN AS HELPLESS TODAY TO RESOLVE THIS PROBLEM AS THEY WERE TO AVOID THE FIGHTING IN 1944.

I CALL ON THE SUBCOMMITTEE AND THIS CONGRESS TO APPROPRIATE THE WAR CLAIMS FUNDS IN FISCAL YEAR 1988, AND ONCE THIS HAS BEEN DONE, TO REQUIRE ITS IMMEDIATE RELEASE TO THE CLAIMANTS. IF THIS CANNOT BE DONE, LET ME

KNOW SO I CAN TELL OUR PEOPLE NOT TO LIVE WITH FALSE HOPES ANY LONGER. I FEEL SO STRONGLY THAT THIS DEBT SHOULD BE PAID, I AM READY TO URGE COMMONWEALTH OFFICIALS TO ASSUME THE U.S. OBLIGATION IN THE NORTHERN MARIANA ISLANDS IF THEY AGREE WITH ME THAT OUR PEOPLE DESERVE TO BE COMPENSATED. AS A NEW MEMBER OF THE AMERICAN FAMILY, IT IS ONLY FITTING THAT THE COMMONWEALTH MUST BEGIN TO SHOULDER MORE RESPONSIBILITY FOR THE NEEDS OF OUR PEOPLE.

THANK YOU.

POWER DISTRIBUTION SYSTEM REPLACEMENT

Capability Statement

Agency/Bureau:	Department of Interior / Territorial and International Affairs
Appropriation:	Administration of Territories
Activity:	Commonwealth of the Northern Mariana Islands
Proposed Amendment:	FY 1988 - $6,900,000 appropriation for Power Distribution System Replacement and Hardening, Phase I FY 1989 - $6,340,000 appropriation for Power Distribution Replacement and Hardening, Phase II
Current Program:	Saipan now has a 28.8 megawatts power plant. New 1000 KW generators for Tinian have been obtained and a contract has been sign for the construction of a new power plant in Rota. However, the distribution lines remain very old and undersized and need to be replaced and typhoon proof. The upgrading and typhoon hardening of the power distribution system on Saipan has been a high priority planned investment for several years, but has not been implemented due to the unavailability of funds. Construction of the system must be undertaken to ensure availability of electrical power to meet the rapidly growing demand for power on Saipan, the population center, as well as to permit continued industrial, commercial and overall economic growth. Such construction will alleviate the recurring electrical outages associated with the operation and maintenance of the present power distribution and reduce the costly and excessive voltage drops in the systems. Appended is the executive summary of the Saipan Power System Improvement Study prepared by Keller and Gannon in 1981 describing the power situation, the recommended improvements and estimated costs. Cost in the study have been inflated at an assume rate of 5% per year for this request.

Amount Budgeted: No amount in budget

Feasibility: Funding of this request will enable the CNMI to initiate the first increment of the electrical system improvements for alleviating the deficiencies and implementing the most cost effective solutions to the power distribution problems.

Capability: With the $6,900,000 appropriation, the CNMI will install the first increment of the modified 69 KV Transmission System. This will initiate the reduction of costly voltage drops of up to 30% in the existing system and typhoon proof about 4 miles of the feeders along Beach Road.

Total project cost is about $13,240,000 in 1988 dollars. The second phase will be requested in FY 1989.

Outlay Effects: The outlay schedule is as follows:

FY 1988	FY 1989
$2,358,000	$4,542,000

SAIPAN POWER DISTRIBUTION
Project Cost $6,900,000

I. PROJECTED PAYMENT SCHEDULE

Oct. 1987	156,000
Nov. "	156,000
Dec. "	156,000
Jan. 1988	50,000
Feb. "	50,000
Mar. "	50,000
Apr. "	50,000
May "	18,000
June "	418,000
July "	418,000
Aug. "	418,000
Sept. "	418,000
Oct. "	418,000
Nov. "	418,000
Dec. "	418,000
Jan. 1989	418,000
Feb. "	418,000
Mar. "	418,000
Apr. "	418,000
May "	418,000
June "	1,198,000
Total	6,900,000

II. NARRATIVE CONSTRUCTION SCHEDULE

October 1987 - April 1988 - Design/Engineering

May 1988 - Project Bid

June 1988 - Construction Contract Award and Notice to Proceed

July - September 1988 - Project Components Delivery to Site

October 1988	- Installation of Substation, Erection of Concrete Poles, construction of duct banks and pull boxes.
January 1989	- Conductors Installation
April 1989	- Tie-in and Testing
June 1989	- Removal of Old Distribution, and Project Acceptance

---

LETTERS FROM FROILAN C. TENORIO

December 9, 1986

Honorable Robert J. Lagomarsino
U.S. House of Representatives
2332 Rayburn House Office Building
Washington, DC 20515

Dear Representative Lagomarsino:

As you may know, the Northern Mariana Islands was savagely struck on December 3, 1986, by Super Typhoon Kim whose winds in excess of 150 miles per hour did extensive damage to hundreds of homes, major portions of the business community and government facilities in Saipan and other parts of the Commonwealth.

Commonwealth and federal disaster officials are presently working to complete a full assessment of the storm damage. But initial reports indicate wide-spread damage including major destruction to the power generation system and the uprooting of 300 wooden power poles.

It is anticipated that the President may declare the Northern Marianas a federal disaster area in the near future. While this action is necessary to help all sectors of the community qualify for federal disaster funding, under present law, federal disaster assistance can be used to restore damaged facilities only to their pre-typhoon conditions and does not provide additional assistance to permit local officials to harden essential public facilities against future storm damage.

I believe that it is imperative that the Northern Marianas use this opportunity to rebuild storm damaged facilities in a manner which will provide the maximum possible protection for vital public facilities such as power poles. Given the history of the region, we can anticipate major storms recurring for years to come in the region, I feel that rebuilding storm damaged public facilities to their previous condition would be ignoring history and a waste of public funds.

When Guam was heavily damaged nearly a decade ago by Typhoon Pamela, you were among those Members of Congress who quickly and successfully urged the appropriation of additional funds to help that territory install concrete power poles and other hardened facilities.

I would greatly appreciate your support now for similar action for the Northern Mariana Islands. Because of the wide-spread nature of the damage done by the storm to local facilities, particularly those in Saipan, it would be appropriate to include in our plans for rebuilding provisions for hardening those facilities which are most vulnerable to future damage from major typhoons. To accomplish this goal, we will require both your support of the hardening concept I have described and for the appropriation of additional funds to accomplish this task as was done earlier for Guam. While I am traditionally reluctant to request new funds from Congress for the Northern Marianas, it is clear that local resources are inadequate to meet the anticipated costs of paying for reinforcement items such as concrete power poles.

I am confident that once this has been completed, we can anticipate a future savings of disaster funds for facility replacement and in the process greatly increase the ability of local authorities to restore essential services much faster than can now be accomplished.

If you have any questions or comments about my request, please let me know. I look forward to hearing from you and working with your office in the weeks to come on matters of mutual concern.

Sincerely,

Froilan C. Tenorio
Resident Representative

December 9, 1986

Honorable J. Bennett Johnston
United States Senate
SH-136 Hart Senate Office Building
Washington, DC 20510

Dear Senator Johnston:

As you may know, the Northern Mariana Islands was savagely struck on December 3, 1986, by Super Typhoon Kim whose winds in excess of 150 miles per hour did extensive damage to hundreds of homes, major portions of the business community and government facilities in Saipan and other parts of the Commonwealth.

Commonwealth and federal disaster officials are presently working to complete a full assessment of the storm damage. But initial reports indicate wide-spread damage including major destruction to the power generation system and the uprooting of 300 wooden power poles.

It is anticipated that the President may declare the Northern Marianas a federal disaster area in the near future. While this action is necessary to help all sectors of the community qualify for federal disaster funding, under present law, federal disaster assistance can be used to restore damaged facilities only to their pre-typhoon conditions and does not provide additional assistance to permit local officials to harden essential public facilities against future storm damage.

I believe that it is imperative that the Northern Marianas use this opportunity to rebuild storm damaged facilities in a manner which will provide the maximum possible protection for vital public facilities such as power poles. Given the history of the region, we can anticipate major storms recurring for years to come in the region, I feel that rebuilding storm damaged public facilities to their previous condition would be ignoring history and a waste of public funds.

When Guam was heavily damaged nearly a decade ago by Typhoon Pamela, you were among those Members of Congress who quickly and successfully urged the appropriation of additional funds to help that territory install concrete power poles and other hardened facilities.

I would greatly appreciate your support now for similar action for the Northern Mariana Islands. Because of the wide-spread nature of the damage done by the storm to local facilities, particularly those in Saipan, it would be appropriate to include in our plans for rebuilding provisions for hardening those facilities which are most vulnerable to future damage from major typhoons. To accomplish this goal, we will require both your support of the hardening concept I have described and for the appropriation of additional funds to accomplish this task as was done earlier for Guam. While I am traditionally reluctant to request new funds from Congress for the Northern Marianas, it is clear that local resources are inadequate to meet the anticipated costs of paying for reinforcement items such as concrete power poles.

I am confident that once this has been completed, we can anticipate a future savings of disaster funds for facility replacement and in the process greatly increase the ability of local authorities to restore essential services much faster than can now be accomplished.

If you have any questions or comments about my request, please let me know. I look forward to hearing from you and working with your office in the weeks to come on matters of mutual concern.

Sincerely,

Froilan C. Tenorio
Resident Representative

LETTER FROM RICHARD T. MONTOYA, ASSISTANT SECRETARY, OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

DEC 30 1986

Honorable Froilan C. Tenorio
Resident Representative to the United States
Commonwealth of the Northern Mariana Islands
2121 R Street, N.W.
Washington, D.C. 20008

Dear Mr. Tenorio:

Thank you for your kind letter of December 15 regarding my recent visit to Saipan to coordinate the federal response to the damage created by Typhoon Kim.

I am, of course, pleased that the Administration responded so quickly to our mutual request for assistance to the people of the Northern Marianas.

As you know, I authorized the immediate drawdown of advance operational funds by the Government of the Northern Mariana Islands and have agreed to consider further requests for the drawdown of CIP funds provided some basic background information is provided to OTIA. I have personally made the Governor aware of my position.

I have also made the Director of the Federal Emergency Management Agency (FEMA) aware of my support for waiving the requirement for matching funds by the Government of the Northern Mariana Islands. Unfortunately, I am unable to report any progress on this issue at this time.

In addition, Senators J. Bennett Johnston and James A. McClure have formally requested that the Administration, in consultation with the Government of the Northern Mariana Islands, provide the Committee on Energy and Natural Resources with an estimate of the additional cost for "storm resistant reconstruction of essential infrastructure over the amount to be provided by FEMA for the simple restoration of damaged or destroyed facilities." I have attached a copy of the letter for your information.

It is my intent to inform both the Governor of the Northern Mariana islands and the Director of FEMA of the congressional interest in providing additional funding for storm resistant construction.

While we have informally offered technical assistance funds to the Government of the Northern Mariana Islands for completing a CIP plan, we are now in the process of drafting a formal offer of such funding. I share your assessment that the completion of such a plan will eliminate many of the concerns held in both the executive and legislative branches of the U.S. Government.

I, too, have taken notice of the improved level of communication between our offices in recent weeks. I can assure you that it is sincerely appreciated. I think the informal conversations between Nancy Boone and Larry Morgan of my staff and Roger Stillwell of your office have served a very useful purpose. You can be assured that we look forward to working together with your office on this matter and on other issues of mutual concern.

Enclosed are photographs of the typhoon damage incurred by Saipan. Judging from them it is a blessing, but hard to believe, that there were no fatalities. This office will continue to monitor the disaster relief effort in progress.

Sincerely,

Rick Montoya

Richard T. Montoya
Assistant Secretary - Territorial
and International Affairs

LETTER FROM FROILAN C. TENORIO

December 9, 1986

The Honorable Morris K. Udall
Chairman
Committee on Interior
and Insular Affairs
U.S. House of Representatives
1324 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

As you may know, the Northern Mariana Islands was savagely struck on December 3, 1986, by Super Typhoon Kim whose winds in excess of 150 miles per hour did extensive damage to hundreds of homes, major portions of the business community and government facilities in Saipan and other parts of the Commonwealth.

Commonwealth and federal disaster officials are presently working to complete a full assessment of the storm damage. But initial reports indicate wide-spread damage including major destruction to the power generation system and the uprooting of 300 wooden power poles.

It is anticipated that the President may declare the Northern Marianas a federal disaster area in the near future. While this action is necessary to help all sectors of the community qualify for federal disaster funding, under present law, federal disaster assistance can be used to restore damaged facilities only to their pre-typhoon conditions and does not provide additional assistance to permit local officials to harden essential public facilities against future storm damage.

I believe that it is imperative that the Northern Marianas use this opportunity to rebuild storm damaged facilities in a manner which will provide the maximum possible protection for vital public facilities such as power poles. Given the history of the region, we can anticipate major storms recurring for years to come in the region, I feel that rebuilding storm damaged public facilities to their previous condition would be ignoring history and a waste of public funds.

When Guam was heavily damaged nearly a decade ago by Typhoon Pamela, you were among those Members of Congress who quickly and successfully urged the appropriation of additional funds to help that territory install concrete power poles and other hardened facilities.

I would greatly appreciate your support now for similar action for the Northern Mariana Islands. Because of the wide-spread nature of the damage done by the storm to local facilities, particularly those in Saipan, it would be appropriate to include in our plans for rebuilding provisions for hardening those facilities which are most vulnerable to future damage from major typhoons. To accomplish this goal, we will require both your support of the hardening concept I have described and for the appropriation of additional funds to accomplish this task as was done earlier for Guam. While I am traditionally reluctant to request new funds from Congress for the Northern Marianas, it is clear that local resources are inadequate to meet the anticipated costs of paying for reinforcement items such as concrete power poles.

I am confident that once this has been completed, we can anticipate a future savings of disaster funds for facility replacement and in the process greatly increase the ability of local authorities to restore essential services much faster than can now be accomplished.

If you have any questions or comments about my request, please let me know. I look forward to hearing from you and working with your office in the weeks to come on matters of mutual concern.

Sincerely,

Froilan C. Tenorio
Resident Representative

LETTER FROM MORRIS K. UDALL, U.S. REPRESENTATIVE FROM ARIZONA, CHAIRMAN, COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

December 10, 1986

Honorable Froilan Tenorio
Resident Representatives of the
Northern Mariana Islands
2121 R Street, N.W.
Washington, D.C. 20008

Dear Representative Tenorio:

This responds to your letter concerning the disastrous typhoon which struck the Northern Mariana Islands.

I am aware of the seriousness of the situation. The Committee will review any reports federal disaster relief, Commonwealth, and Department of the Interior officials make regarding needs created by the damage done by the storm. Serious consideration should be given to your proposal that efforts be undertaken to prevent similar impacts in the future.

Sincerely,

MORRIS K. UDALL
Chairman

LETTERS FROM FROILAN C. TENORIO

December 9, 1986

The Honorable Sidney R. Yates
Chairman
Subcommittee on Interior
and Related Agencies
Committee on Appropriations
B-308 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

As you may know, the Northern Mariana Islands was savagely struck on December 3, 1986, by Super Typhoon Kim whose winds in excess of 150 miles per hour did extensive damage to hundreds of homes, major portions of the business community and government facilities in Saipan and other parts of the Commonwealth.

Commonwealth and federal disaster officials are presently working to complete a full assessment of the storm damage. But initial reports indicate wide-spread damage including major destruction to the power generation system and the uprooting of 300 wooden power poles.

It is anticipated that the President may declare the Northern Marianas a federal disaster area in the near future. While this action is necessary to help all sectors of the community qualify for federal disaster funding, under present law, federal disaster assistance can be used to restore damaged facilities only to their pre-typhoon conditions and does not provide additional assistance to permit local officials to harden essential public facilities against future storm damage.

I believe that it is imperative that the Northern Marianas use this opportunity to rebuild storm damaged facilities in a manner which will provide the maximum possible protection for vital public facilities such as power poles. Given the history of the region, we can anticipate major storms recurring for years to come in the region, I feel that rebuilding storm damaged public facilities to their previous condition would be ignoring history and a waste of public funds.

When Guam was heavily damaged nearly a decade ago by Typhoon Pamela, you were among those Members of Congress who quickly and successfully urged the appropriation of additional funds to help that territory install concrete power poles and other hardened facilities.

I would greatly appreciate your support now for similar action for the Northern Mariana Islands. Because of the wide-spread nature of the damage done by the storm to local facilities, particularly those in Saipan, it would be appropriate to include in our plans for rebuilding provisions for hardening those facilities which are most vulnerable to future damage from major typhoons. To accomplish this goal, we will require both your support of the hardening concept I have described and for the appropriation of additional funds to accomplish this task as was done earlier for Guam. While I am traditionally reluctant to request new funds from Congress for the Northern Marianas, it is clear that local resources are inadequate to meet the anticipated costs of paying for reinforcement items such as concrete power poles.

I am confident that once this has been completed, we can anticipate a future savings of disaster funds for facility replacement and in the process greatly increase the ability of local authorities to restore essential services much faster than can now be accomplished.

If you have any questions or comments about my request, please let me know. I look forward to hearing from you and working with your office in the weeks to come on matters of mutual concern.

Sincerely,

Froilan C. Tenorio
Resident Representative

December 9, 1986

The Honorable James A. McClure
Chairman
Committee on Energy
Natural Resources
United States Senate
SD-361 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

As you may know, the Northern Mariana Islands was savagely struck on December 3, 1986, by Super Typhoon Kim whose winds in excess of 150 miles per hour did extensive damage to hundreds of homes, major portions of the business community and government facilities in Saipan and other parts of the Commonwealth.

Commonwealth and federal disaster officials are presently working to complete a full assessment of the storm damage. But initial reports indicate wide-spread damage including major destruction to the power generation system and the uprooting of 300 wooden power poles.

It is anticipated that the President may declare the Northern Marianas a federal disaster area in the near future. While this action is necessary to help all sectors of the community qualify for federal disaster funding, under present law, federal disaster assistance can be used to restore damaged facilities only to their pre-typhoon conditions and does not provide additional assistance to permit local officials to harden essential public facilities against future storm damage.

I believe that it is imperative that the Northern Marianas use this opportunity to rebuild storm damaged facilities in a manner which will provide the maximum possible protection for vital public facilities such as power poles. Given the history of the region, we can anticipate major storms recurring for years to come in the region, I feel that rebuilding storm damaged public facilities to their previous condition would be ignoring history and a waste of public funds.

When Guam was heavily damaged nearly a decade ago by Typhoon Pamela, you were among those Members of Congress who quickly and successfully urged the appropriation of additional funds to help that territory install concrete power poles and other hardened facilities.

I would greatly appreciate your support now for similar action for the Northern Mariana Islands. Because of the wide-spread nature of the damage done by the storm to local facilities, particularly those in Saipan, it would be appropriate to include in our plans for rebuilding provisions for hardening those facilities which are most vulnerable to future damage from major typhoons. To accomplish this goal, we will require both your support of the hardening concept I have described and for the appropriation of additional funds to accomplish this task as was done earlier for Guam. While I am traditionally reluctant to request new funds from Congress for the Northern Marianas, it is clear that local resources are inadequate to meet the anticipated costs of paying for reinforcement items such as concrete power poles.

I am confident that once this has been completed, we can anticipate a future savings of disaster funds for facility replacement and in the process greatly increase the ability of local authorities to restore essential services much faster than can now be accomplished.

If you have any questions or comments about my request, please let me know. I look forward to hearing from you and working with your office in the weeks to come on matters of mutual concern.

Sincerely,

Froilan C. Tenorio
Resident Representative

LETTERS FROM SENATORS J. BENNETT JOHNSTON AND JAMES A. MCCLURE

December 10, 1986

The Honorable Donald P. Hodel
Secretary
United States Department of the Interior
Washington, D.C. 20240

Dear Mr. Secretary:

We are writing to request further information and assistance regarding the damage caused by typhoon "Kim" in the Northern Mariana Islands several days ago. It is our understanding that there has been extensive damage to housing, businesses, and essential services such as power distribution and roads. Reports indicate that the Federal Emergency Management Agency (FEMA) has personnel on the scene and that their initial estimate of damage is $15 million.

We recall that a similar situation occurred in Guam in 1976 following typhoon "Pamela". As was done following that disaster, we believe that essential infrastructure should not be rebuilt in the same manner as prior to the storm, but should instead be reconstructed to be hardened against damage by future storms. For example, we understand that in both storms most of the wooden power distribution poles were destroyed. It makes little sense to replace these poles with new wooden poles which are likely to be destroyed again by future storms. In Guam, the power system was rebuilt using either concrete poles or underground lines which can be expected to survive severe storms with relatively little damage.

Accordingly, we request that in cooperation with the local government and FEMA that you provide the Committee with an estimate of the additional cost for the storm-resistant reconstruction of essential infrastructure over the funding to be provided by FEMA for the simple restoration of damaged or destroyed facilities. Obviously, immediate efforts must be taken to restore services in order to protect the health and welfare of residents. However, major reconstruction efforts should be coordinated with efforts to plan and fund the reconstruction of essential infrastructure which can be expected to withstand future typhoons.

We would appreciate these estimates as soon as practicable in order to evaluate the need for additional funding. If you have questions or difficulties please feel free to contact us.

J Bennett Johnston
J. Bennett Johnston
Ranking Minority Member

Jim McClure
James A. McClure
Chairman

Senator JOHNSTON. Thank you very much, Governor. As you know, I take a very strong interest in the Commonwealth of the Northern Marianas, having been the principal author of the legislation to create the Commonwealth. I am delighted you are citizens.

As you know, the committee has taken a great interest in the 7-year development plan. The U.S. Government has pledged $126 million to the CNMI for capital development over 7 years. For its part, the CNMI has agreed to complete a development plan for the use of these funds

Nevertheless, work on a plan that should take 2 to 3 months has dragged on for well over 1 year. I would urge in the strongest possible terms that this plan be submitted to the committee and to the Department within 3 months.

Do you think that schedule can be met?

Lieutenant Governor TENORIO. Mr. Chairman, that requirement for 3 months would be pretty difficult to meet. Let me say what we have done so far with respect to the plan.

Just in February of this year, we finally signed the technical agreement with the Department of the Interior, making some funds available for the development of the plan.

We believe that a year from that date, we would be able to come up with a comprehensive plan that will reflect the desires of Congress as to what the plan should be.

I do not believe that a 3-month timeframe would be sufficient to develop a plan detailed enough in both its scope and projected projects to satisfy the committee.

We would like to ask that the plan be developed within a 12-month timeframe. We have started recruiting professionals to begin addressing the various planning objectives for the Commonwealth for the next 7 years and soon we will be requesting proposals for the contracting out of various technical expertise to do the actual detail work of fiscal infrastructures for social and economic planning.

Senator JOHNSTON. Well, if you can do an interim report with your items of high priority, it would be helpful to us.

Lieutenant Governor TENORIO. Yes, sir; we will do that. We will try and develop the interim plan. As I indicated in my statement, this we are doing already. We have submitted to your committee a listing of capital development projects that we feel would be included in the plan. Irrespective of whether there is a plan, these are projects that encompasses utilities infrastructure basically, school buildings and other public facilities.

We do have that listing and we have submitted that listing to the committee, Mr. Chairman.

Senator JOHNSTON. Well, we would hope that that plan would have the approval of the Department as well.

Lieutenant Governor TENORIO. Yes.

Senator JOHNSTON. Thank you very much, Governor. We appreciate your testimony.

Lieutenant Governor TENORIO. Thank you, Mr. Chairman.

Senator JOHNSTON. Do you have anything to add?

Mr. FROILAN TENORIO. Yes; in the interest of time, Mr. Chairman, I intended not to deliberate on my statement. However, I would like to ask you to please include this in your committee's record.

Senator JOHNSTON. Yes; we will do that.

THREE MAJOR ISSUES

Mr. FROILAN TENORIO. One thing I would like to emphasize to your committee, Mr. Chairman, I did provide testimony on three major issues that affect our territory.

One is pertaining to the citizenship issue. I know this is not a budget issue, but I hope this committee will take serious consideration in helping us resolve the citizenship issue.

The other subject is concerning the war claims issue. I stated in my testimony what has transpired since our previous presentation and I strongly urge this committee to please read my testimony carefully and try to help us appropriate the funds this fiscal year.

The last thing is the testimony I provided on the construction of the American Memorial Park in honor of our veterans. In that regard, Mr. Chairman, I would like to ask this committee to please help us by reviewing this testimony seriously so that the funds we urgently need for this project be appropriated this fiscal year.

Thank you very much.

Senator JOHNSTON. Thank you very much. As you know, the citizenship issue is an authorizing issue in the Energy and Natural Resources Committee and we will do the best we can with that. We are sympathetic with your plans.

Thank you, gentlemen. I hope the Northern Marianas continue to prosper under your leadership.

REPUBLIC OF PALAU

STATEMENT OF HON. FRANZ REKSID, MINISTER OF ADMINISTRATION ACCOMPANIED BY NORIO UBADA, WASHINGTON REPRESENTATIVE

SUMMARY STATEMENT

Senator JOHNSTON. Next, we are pleased to have the Republic of Palau with Franz Reksid, minister of administration.

Mr. REKSID. Good morning, Mr. Chairman.

It is a pleasure to appear again in front of your committee to testify on behalf of the Republic of Palau for the fiscal year 1988 budget.

Before I proceed, I would like to recognize our Washington representative who is with me this morning, Mr. Norio Ubada.

Senator JOHNSTON. Yes; we know Mr. Ubada.

Mr. REKSID. Thank you very much.

Mr. Chairman, my detailed statement has been submitted to your committee and I would proceed to summarize such document.

As you know, Mr. Chairman, Palau, is the last trust territory left, and we are still operating under the level of trust territory grants and without the compact. We do understand and appreciate that the United States Congress has approved the Compact of Free Association for the Republic of Palau.

However, the citizens of Palau have not been able to ratify such a document and that leaves us as the last trust territory.

I would like to proceed and summarize our basic needs for fiscal year 1988, Mr. Chairman.

Before I do that, Mr. Chairman, I would like to summarize some of the things that the Republic of Palau is facing at this time and I'm basically referring to the financial difficulties that we are going through at this moment.

PALAU FINANCIAL CRISIS

In Palau at this time, we have and the president of Palau has instituted some drastic costcutting measures due to the fact that we have a budget which is a very realistic budget which the president prepared and was approved by the National Congress of Palau at the level of $17.6 million. And that's for fiscal year 1987.

We believe that that is the most responsible level of appropriation in that it recognizes the true resources that are available to the Republic of Palau.

In the previous administration, appropriations were always beyond the true picture of resources available and that is to estimate revenues beyond the capability of the actual collected revenues.

The reason for the financial problem at this time is that the level of government operation is at $23 million now. We probably will face a shortfall of about $5 million at the end of this fiscal year.

If this is repeated and carried over to the next fiscal year, 1988, the same problem could be repeated or even be worse.

Our basic request for fiscal year 1988 is that the Republic of Palau would need a minimum of an additional $3 million to maintain its basic operation and the basic services to the general public. And that is to augment the already recognized $10 million that has been recommended by the administration.

Another matter to be addressed, Mr. Chairman, is that the Republic of Palau has been receiving funds from the administration for the last several years at the $10 million level. This year, again, it is at the same level of $10 million and next year $10 million has been proposed for the Republic of Palau.

Of course, there is an additional $700,000 which simply recognizes the reductions that were made to Palau appropriations in 1986 and 1987; $250,000 earmarked for 1988 is a reimbursement or restoration of the funds advanced from the fiscal year 1987 money to fund the last referendum in December 1986.

The additional $400,000 is a restoration of the Gramm-Rudman reduction in 1986.

PALAU COST SAVING MEASURES

In an effort to reduce the level of operations and the stringent expenditures of the Republic of Palau, I would like to report to your committee, Mr. Chairman, that the president of Palau has taken actions to reduce 20 percent of everybody's salaries in the government at this time.

Also, the president has implemented a freeze on new hiring, no salary increases, and also has implemented an additional 20-percent reduction in other services and general operations of the government.

On top of that, the power generation in Palau has been reduced to run 18 hours a day, which means that the power will be turned off from 11 p.m. to 5 a.m. every day and it's a total blackout every day. When that power goes off, the water goes off at the same time because the pump is required for water distribution.

Also, in addition to the cost reduction measures, we have also instituted reduction of meals to hospital patients to two meals a day and all of these are done to cut down the cost of operations.

We do not have the cash to provide full services, just the basic services.

PALAU HOSPITAL

In going into some capital improvement programs, Mr. Chairman, one of the big items on our agenda is the new hospital for Palau. Palau is probably the last district in Micronesia that has not received a new hospital. All other areas in Micronesia have gotten a new hospital. Palau is still operating with a 26-year-old hospital building which is a building made of hollow concrete block and the upper level with wooden materials and corrugated tin roofs.

Senator JOHNSTON. Let me interrupt you there, Mr. Reksid.

Mr. REKSID. Yes.

Senator JOHNSTON. I have been a supporter of that new hospital, but last year Congress committed to a ceiling of $10 million and we appropriated $5 million and Palau has yet to redesign to come to the $10 million. Now that is what we need on that.

Mr. REKSID. That is correct, Mr. Chairman. I was alluding to that authorization. The existing hospital is very costly to maintain and repair. It is far below standards.

What we are doing right now, as you know—and we testified last year—is that our architectural engineers have advised us that to build a new hospital on the existing site would be more costly and time consuming and also the inconvenience and hazards that would be faced by moving the patients around and the medical staff and nursing staff would be worse than if we were to build it in a new location.

Now that is the effort that is being taken at this time. We believe that it is sound advice to build the hospital in a new site and when that facility is completed, whenever it is completed with sufficient funds, then the existing hospital would be converted into offices. That could be done.

We realize that the $10 million is not adequate to build a complete facility, a totally new independent freestanding facility. However, it also will pose a problem if we were to divide the services and say that we will build the core services and nursing wings in one area and then leave out patient administration, medical supplies, and the fitting programs in a separate facility. That will add additional costs in terms of dividing personnel between two facilities.

We just want to say that we do recognize the commitment of $10 million. However, we believe and with the advice of the qualified architectural engineers who are doing the redesigning of the hospital, we are advised that it will cost $19 million, which is $15.7 million for construction and site preparation, and $3.3 million to equip and furnish the hospital.

We do have adequate staffing to man a single facility, but not enough if we were to split services.

PALAU CAPITAL RELOCATION

Now in addition, Mr. Chairman, to the hospital, we did mention to this committee last year about the capital relocation. We recognize that there is $2.6 million proposed for fiscal year 1988—design and construction of the new capital.

The plan for the new capital has been developed and it is at this time estimated that it will take $50 million for the site preparation and the construction of buildings for the new capital. That is without the proposed road from Koror to the new proposed capital site which will cover approximately 22 miles. It is projected that the road construction, if it was to be taken separately, would cost in the neighborhood of $19 million.

PALAU ROADS AND BRIDGES

Besides these two major projects, Mr. Chairman, the new paved roads in Palau have deteriorated very badly in less than 5 years. We were told by the engineers and the company that built the roads and paved it that it would have a life of 20 years. Instead, in less than 5 years, that road is deteriorating very rapidly and estimated cost to repair the road has been given at $900,000.

Also, the only major bridge connecting the provisional capital of Koror to Babelthaup, where the only airport is located, has sagged about 4½ inches as reported by engineers who evaluated the situation at the center hinge. Now it is estimated that to repair that bridge or make it safer for traveling will cost between $400,000 and $500,000.

Mr. Chairman, those are basically the major items that the Republic of Palau would like to address. In addition, we would like to thank this committee and the Congress and the administration for recognizing the need of prior service benefits in Micronesia and for the funds that have been made available for that very important service.

On top of that, Palau, as well as other entities in Micronesia, also is faced with other prior debt problems which include medical referrals. We would like to ask this committee to consider payments of those prior debts—trust territory prior debts because the Republic of Palau certainly is not capable of handling or at least meeting whatever prior debts that Palau incurred during the trust territory period.

PREPARED STATEMENT

With that, Mr. Chairman, we would like to thank you for giving us this opportunity to appear before your committee. Thank you very much.

[The statement follows:]

STATEMENT OF FRANZ REKSID

Mr. Chairman and Distinguished Members of the Committee, I am honored to appear before your committee once again to testify on behalf of the government of the Republic of Palau in support of our budget requirements for fiscal year 1988.

Before I begin my testimony I would like to submit for the record the names of the Palau delegation to these congressional hearings.

Mr. Chairman, I would like to begin my testimony by first thanking the United States Congress, especially your committee, for supporting those appropriation requests which we have made to this Congress in prior fiscal years. My testimony today will include requests from your committee for additional assistance in general operations and CIP for FY88. These requests are essential to maintaining the stability of Palau's fragile economy. Without such assistance Palau will face economic chaos and collapse of essential public service.

As you are aware, Mr. Chairman, the Republic of Palau is still, to this day, considered a part of the Trust Territory of the Pacific Islands. The U.S. Congress has passed and approved into law the Palau Compact of Free Association. However, Palau despite the keen desires of a significant majority of its electorate, has not been able through a democratic process to obtain a 75% approval of its Compact as required under the Constitution. Until such time our Compact does come into effect, Palau remains a ward of the United States.

We look to you as the administering authority of the Trust Territory of the Pacific Islands to continue to assist us in fostering economic, social and political development. However, in anticipation of approval of the Compact by all parties, the level of funding assistance to Palau has been constant over the last several years. During the same period major infrastructure have been added and the needs of our people have expanded, placing strains on our scarce resources. The result is an accummulated deficit of a little over $5.0 million. Without implementation of the Compact, we are unable to meet our basic needs, but more importantly, we face economic collapse and complete shutdown of essential government services. We look to you for immediate assistance because we have exercised all of the options available to us, short of laying off large numbers of government employees. We have and continue to aggressively pursue collections of all taxes and revenues resulting in an increase in local revenues from $4.0 to $7.0 million per year over the last several years.

This presentation will include only the basic essentials, and will specifically address such absolute needs as $3.0 million in additional operational funds to avoid payless paydays and perhaps domestic chaos. To risk such a thing in Palau at this time is not worth all the philosophical arguments that Palau made its bed and therefore should lie in it.

Palau has been operating on deficit financing since the inception of the constitutional government in January 1981. The government has been operating on an average of $1.0 million deficit a year for the past six years. According to the audit reports, the government now has a cumulative deficit of little over $5.0 million at the end of fiscal year 1985. Preliminary figure shows that fiscal year 1986 deficit will be around $1.6 million.

Current Operations Funding Requirements. The current government general operations payroll is approaching $13.0 million per year plus approximately $3.0 million for power plant operations, $600,000 for medical referral, $400,000 for drugs and medical supplies, and $6.0 million for general administrative support services and expenses for the three branches of the government. Based on fiscal year 1986 obligations record our conservative estimate of fiscal year 1987 obligations is expected to be in the neighborhood of $23 million. Our total resources for fiscal year 1987 is estimated, at best, to be $17.6 million, consisting of $10.084 million from DOI and $7.5 million in local revenues. Based on the foregoing data, we will anticipate a short fall of approximately $5.0 million in fiscal year 1987.

In an effort to reduce costs President Salii, by Executive Order, has withheld 20% of all government employees' salaries pending availability of funds in order to remain within the $17.6 million total resources. The situation will become worse, if not impossible, in fiscal year 1988 without additional resources.

Fiscal Year 1988 Operations. We are requesting the U.S. Congress, particularly this Committee, to recognize our financial needs and increase the level of DOI grants for Palau from $10 million in fiscal year 1987 to $13 million in fiscal year 1988, an increase of $3 million. The increase will avoid continuing the 20% salary cut in fiscal year 1988, at the same time, be able to meet some of the basic needs of the Republic of Palau.

We propose to use the additional funds as follows:

General Operations	$2,000,000
Medical Supplies and Drugs	300,000
All Others	700,000
TOTAL	$3,000,000

Local Revenues. Although we have launched an aggressive accounts receivable collection program to collect delinquent taxes and utility bills, we expect to collect, at most, $7.5 million in fiscal year 1987.

We estimate fiscal year 1988 collection to remain at 7.5 million, which is $1.5 million less than the earlier estimate of $9 million submitted by the Department of the Interior. The overall impact of reducing government payrolls and other expenditures serves to further slow collections and lessen revenues. The 20% salary reduction will have negative impact on our ability to collect income tax in FY 1987 and FY 1988.

REVENUE COLLECTION HISTORY:

Fiscal years	Amount in Millions
1981	$4.8
1982	4.7
1983	6.1
1984	5.8
1985	7.6
1986	6.9
1987	7.5 Estimate
1988	7.5 Estimate

Special effort is being made to institute aggressive tax collection program. Delinquent tax payers are being brought to court for settlement. Other revenue generating measures are: amending the National Tax Code to increase utility rates; increase departure tax; increase vehicle registration fees; increase motor vehicle operator's permit fee; increase license fees for amusement devise; increase gross receipt taxes on certain item such as liquor, cigarettes, tobacco products, cosmetics, etc. These could generate additional revenues up to $1.0 million a year.

Cost Reduction Measures. Our request for increase in general operations is predicated upon Palau's assurance that it will take appropriate steps to implement some immediate costs reduction measures. Such costs reduction efforts have taken effect in the areas of salary reduction by 20%; additional 20% reduction in the overall general obligations; and power plant operation at 18 hours a day and may be further reduced to 16 hours a day. The President of the Republic has instituted a freeze on new hiring and travel; no salary increase; reduce purchasing to a bare minimum; and reduce medical referral to absolute emergency only. Patient meals at the MacDonald Hospital have been reduced to two a day with relatives providing for the third meal. Government vehicles have been put on gasoline rationing at five (5) gallons per vehicle per week.

The President of the Republic of Palau signed into law S.B. No. 2-218, now Public Law 2-26 on April 3, 1987, establishing a pension plan for Palau. The law established a mandatory retirement at the age of sixty. There are approximately 167 who would be eligible to meet the retirement requirements by the end of this fiscal year. The government will be able to save up to 40% of payroll cost upon implementation of the program. In conjunction with the pension plan, a national health insurance plan is being developed and legislation is in the process of being submitted to our National Congress. It is anticipated that the National Health Plan will help reduce the overall operating costs of our health care system, including substantial cost reduction in the medical referral program.

By Executive Order, the President has created a task force to explore various ways to implement the Compact, whereby resolving the financial crisis currently faced by the Republic.

Federal Grants and Other Technical Assistance. The Republic of Palau continues to depend on special federal grant programs, especially in the areas of health and education. Programs for senior citizens centers and EPA construction grants have greatly enhanced the financial capability of Palau to provide these special services where regular operation funds fall short. It is imperative that while Palau remains the sole trust territory these special federal grants should continue be made available, either at its current level or at an increased, but certainly not to be reduced. Palau being the last Trust Territory makes it much easier for the United States to award Palau a more generous share in special federal grants to fully develop its programs and services in order to become self-sustaining as Palau prepares to enter into a new political future.

In addition to special federal grant programs, Palau would like to request that technical assistance being provided by the Department of the Interior, Office of Territorial and International Affairs be continued for Palau as long as it remains a Trust Territory. Through technical assistance from OTIA, Palau has been able to solve some of its critical needs in the area of electrical power generation and road maintenance. As we continue in our efforts to develop infrastructure and improve the operation and maintenance programs of existing facilities, capital equipment management as well as other essential government services, where our regular operations funds are inadequate, our reliance on technical assistance becomes even more critical. I cannot overemphasize the fact that Palau does need full scale technical assistance as currently provided by OTIA We request that such assistance be continued as long as Palau remains a Trust Territory.

As the Trust Territory Headquarters come to a close Palau will assume full responsibility to carry out all special federal programs functions previously handled by the TTPI. Therefore, increase in special federal grants and technical assistance to Palau would be greatly needed. It would be very difficult to assume these additional responsibilities and functions from T.T. Headquarters without additional resources to insure that federal standard requirements are fully complied with.

Also in the area of special federal grants, Palau has been requesting continuously to the various federal agencies of the U.S. government to grant waiver of matching of federal funds. Our requests seem to have fallen on deaf ears. Due to limited local resources Palau cannot satisfactorily provide its matching share to the federal dollars applied for. We always fall short of that requirments. With all sincerity we request that the U.S. Congress grant a waiver to Palau on all federal grant matching requirements. Other government entities in the Pacific Basin have been given the waiver privileges, please do not single out Palau.

National Development Plan. An integral part of the Compact agreement is a national development plan that will guide the economic development concepts into programs beneficial to the people of Palau. The first five year plan is for the period 1987-1991 has been completed and submitted to the Olbiil Era Kelulau (Palau National Congress) for review and approval. The review process is currently underway. The plan forms the basis for our policies regarding the provision of our economic and social advancement. It identifies problem areas hindering development and further formulates specific guidelines and rationale for the prudent allocation of our limited financial resources. The document will also serve as an instrument to secure confidence from friendly countries as well as foreign investment for participation in the growth of our economy.

While the plan is now out of sychronization with the funds previously anticipated for its implementation, it can be revised with relative ease to conform with the drawdown of funds once they become available. Such plans are not embedded in concrete and revision and modifications are a normal part of the planning process. Using the national plan as a beginning point the office of Planning and Statistics is now involved in the preparation of individual plans for each of our sixteen states.

Palau National Hospital. The U.S. Congress recognized the need to replace the existing MacDonald Memorial Hospital and, therefore, appropriated $500,000 for A/E for a replacement hospital. In FY86 this Congress appropriated $4.7 million for first phase construction. However, due to change of site the hospital had to be rescoped. The redesign has reached 35 percent completion.

The inadequacy of the existing MacDonald Memorial Hospital has been extensively documented. However, the present condition of the hospital can be briefly described as follows:

Most buildings are in deteriorating condition and are too old to be effectively renovated; the mechanical and electrical systems are either substandard or in disrepair and water supply and distribution is inadequate, unreliable and substandard; the hospital layout is inefficient with poor functional relationships, departments are undersized; circulation is very poor, corridors are narrow and the waiting, utility and storage areas insufficient; critical areas such as surgery, delivery and the nursery lack sterile environments; some necessary functions such as post-operative recovery and intensive care units are not provided; and in general, the existing facilities are deficient from the basic life safety standpoint.

In addition, the size and configuration of the present hospital site will not allow any future expansion, but an attempt to replace the existing facilities at the existing site would be very disruptive to the hospital daily operations (in fact certain services will be temporarily relocated to allow demolition and construction of certain facilities), and construction would be difficult and costly. The only feasible alternative is to build a totally new facility elsewhere.

From our alternative sites considered, one was selected as the most ideal site for locating the proposed Palau National Hospital. This site is adjacent to the existing communications center on Arakabesang, Koror State, on a land the government of the Republic of Palau presently holds legal title.

After obligation of $.5 million for the redesign effort, the remaining $9.5 million is obviously far too insignificant an amount for funding the completion of this $19 million project. Accordingly, the only prudent thing to do at this level of funding is to proceed with the site work which is estimated to cost $1.5 million.

To supplement the currently available funds for this project, we are requesting for an additional $9.5 million above the original $10.0 million. These additional funds together with the unobligated portion of the $5 million appropriated in FY86, will enable the Republic of Palau to award a contract for the full construction, equipping and furnishing the proposed Palau National Hospital in FY88.

Communications. The Republic of Palau, through the Palau National Communications Corporation (PNCC), is currently negotiating a service contract with COMSAT. The current contract with COMSAT will expire on Dec. 31, 1987. The Republic of Palau has been offered a purchase option by COMSAT for the earth station facilities on Koror for a price of $1.2 million. According to expert advise the price being offered by COMSAT is far too high for an outdated and old technology. Negotiations continues with COMSAT to reduce the purchase price before the Republic considers buying a more advanced system at a lesser cost. Four hundred thousand dollars has been tentatively agreed to by the Marshall Islands for similar facility, we are told.

In addition, the Republic has entered into agreement with the Orion Communications Corporation based in Washington, D.C., to install a new telephone system in the Republic of Palau using cellular technology. The new system will be able to provide for the first time in the Republic of Palau, and anywhere in Micronesia, a modern communication system to reach the most remote areas in Palau. Such a system will enhance our communications capability with the outside world providing grater reliability and efficiency. The new communication system will definitely have a positive impact on our future economic development.

The new telephone system will take between nine (9) to twelve (12) months to complete. Construction is expected to begin in May or June of this year. Financing of the new telephone system will be arranged by the contractor at a cost of approximately $5.0 million.

Power Plant. The new power plant has been in full operation since October 1986. It has a total output capacity of 12.8 megawatt. Present power consumption is averaging at 5 megawatt. The National Government is in the process of extending power services to those states closest to the power plant. Due to lack of funds those states who are interested in having electrical power connected to their state have taken the initiative of clearing the way for erecting power poles. This is all done through "happy labor" by the community people. Poles will be erected by the community people with supervision by Public Works. Putting power lines will depend on availability of funds in the future.

Technical assistance funds are needed to repair, recondition and service all generators at the old power plant on Malakal which will be maintained as auxilliary standby in the event unexpected problems occur at the Aimeliik Power Plant.

Palau National Correction & Rehabilitation Facility. The existing Palau jail building is currently serving as the national correction and rehabilitation facility that was designed about

18 years ago, to accommodate a maximum of 21 inmates for both short and long term sentencing periods and those who are committed awaiting trial.

However, as over crowdedness continue through the years the capacity of the cell blocks still remains at its present form. Minor renovation was done to accommodate the separation of female from male inmates, the juvenile offenders from those of the adults. We have yet to expand space capacity in order to accommodate the growing population. The need to repair the delapidated physical condition of the present jail facility is critical. At present there are 58 inmates serving their respective terms of violent or misdeaminor crimes. The Supreme Court of Palau has cautioned the National Government that it may begin releasing prisoners if the jail conditions are not improved.

There is a definite need to repair and expand the prison facility to meet the requirements of separation of age, sex and terms of offenders mandated by law and to accommodate the persisting over crowdedness of the Republic's prison population.

For remodeling and extension of the correction and rehabilitation facility the amount of $100,000 is requested.

Roads. Also of great concern to Palau is the deteriorating condition of Palau's paved roads and its main bridge connecting Babelthaup and the provisional capital of Koror. The alarming rate of deterioration of the roads--less than five years old--against a lifespan of 20 years, has greatly and negatively affected Palau's maintenance expense. Available experts describe the problem to be widespread and serious, caused by the wrong mix of materials and/or being paved cold. Preliminary assessment of the roads problem suggest that approximately $900,000 would be needed to do the entire repair work.

Bridge. Similarly the bridge that connects Koror and Babelthaup is in the process of collapsing and will soon present a real danger to the people travelling on the bridge. Koror-Babelthaup bridge is the only link between the provisional capital of Palau, Koror and the largest island of Babelthaup where the Palau international airport is located, and where major agricultural and farming activities are located. The bridge is now ten years old.

An engineering representing the company that designed the bridge made a site inspection and gave an estimated repair cost of $4447, 557. There is sagging of about 4-1/2" at the center hinge of the bridge and require immediate correction before it become worse and more costly to repair.

I would like to bring to the attention of your committee, Mr. Chairman, that Palau still has not received funding for its new capital. Public Law 1-70 established the state of Melekeok on the big island of Babelthaup as the site of the permanent capital of the Republic of Palau. A comprehensive plan for the development of a permanent capital has been completed. The estimated cost for site development, installation of water and sewer, and construction of the capital buildings is approximately $15.0 million. Additional cost of constructing a 22-miles all-weather road connecting the state of Airai to the proposed site of the new capital will cost about $18.43 million. The $2.6 million proposed for FY88 is far too inadequate for the proposed project.

The Republic of Palau is totally lacking funds for basic repair and maintenance of public facilities, let alone some type preventive maintenance program. Practically all public facilities are old and deteriorating yet no funds are identified in any given budget year for maintenance program. This is not by choice but due to shortage of funds. The Republic requires a minimum of $1.0 million to properly carry out its general maintenance program.

Micronesian War Claims. We would like to express our concern along with the other Micronesian governments regarding the outstanding war claims payment due under Title I. We understand that the government of Japan has fulfilled its obligations which has exceeded $29 million certified by the Department of the Interior. It is, therefore, requested that the matter concerning Micronesian War Claims be settled as soon as possible in fiscal year 1988 as recommended by the Committee on Interior and Insular Affairs, U.S. House of Representatives, in their report dated February 25, 1987. It is requested that the full settlement of war claims compensation should be completed before the Trust Territory completely close its doors in Micronesia.

Again, on behalf of the President of the Republic of Palau I would like to thank the members and you, Mr. Chairman, for this opportunity to appear before your committee and request your favorable consideration on our budget request. President Salii asked me to pass on to you his personal regards.

I am now ready to answer any questions the committee may have. Thank you.

BRIDGE AND ROAD PROBLEMS

Senator Johnston. Thank you very much, Mr. Reksid.

Let me say that we are familiar with your need for operational funds but we are also familiar with the sort of bloated public payroll that you have. We understand your political problems in that respect, but those simply have to be pared down—the size of that payroll.

Second, we are familiar with the problems which you have with the bridge and the road. It was a shabby job that the contractor did. The Navy should have overseen that. They did not and it is just an outrage that they did not. We are going to stay behind them and see if we can get that repaired. It hardly lasted 5 years until it began to disintegrate and crumble away and that just should not have been and that needs to be looked into by us very carefully from that standpoint.

We are going to do the best we can. You understand the meaning of Gramm-Rudman and what it is doing to all of these budgets across the board, but we will do the very best we can.

Mr. Reksid. Can I just say something, Mr. Chairman, just for 1 second?

I just forgot to mention, Mr. Chairman, that with all of these cost conscious factors that the president of Palau is faced with, he has taken steps to look into areas where additional revenues could be generated locally and he is moving forward to amend our tax laws to try to increase additional revenues to accommodate some of the immediate needs that we are faced with at this time and for the next fiscal year.

So he is seriously looking into that.

Senator Johnston. I am glad to hear that. We look forward to progress in that respect.

Thank you very much. We appreciate it.

FEDERATED STATES OF MICRONESIA

STATEMENT OF HON. EPEL K. ILON, RESIDENT REPRESENTATIVE

ACCOMPANIED BY PETER M. CHRISTIAN, SENATOR, CHAIRMAN, WAYS AND MEANS COMMITTEE, CONGRESS OF THE FEDERATED STATES OF MICRONESIA

INTRODUCTION OF ASSOCIATES

Senator JOHNSTON. Next, we have the Federated States of Micronesia with Epel K. Ilon, U.S. representative. He is accompanied by Senator Peter Christian.

Mr. ILON. Thank you, Mr. Chairman.

As you said, my name is Epel K. Ilon and I am the resident representative of the Federated States and also chief of the FSM mission here in the United States, and Senator Christian is chairman of the ways and means committee in our congress. To assist us in answering any questions which you may have will be Mr. Delfamly, the man who is the executive officer for the executive branch and Mr. Demitri Buro, who is the budget officer for the legislative branch.

I have already submitted my written statement to this committee and I hope that this one and the written statement could be included in the record.

Senator JOHNSTON. It will be included in the record.

Mr. ILON. First, my president, the Honorable Tosiwo Nakayama, extends his greetings and wishes for me to read a message from him to you, Mr. Chairman, and the other members of the subcommittee.

As you know, this is Mr. Nakayama's last term as FSM president, as provided for by the FSM constitution. He sends this message:

> Dear Mr. Chairman: I wish to use this occasion to thank you, Mr. Chairman, and other members of the subcommittee for your support in the past and for your contributions to the development of our islands and people. I take special note of your help in enabling the achievement of the goals and aspirations of my people to become independent and to establish a closer bond between our nations through the free association relationship as we just did this last November. I am confident the years of friendship we have been enjoying between our two countries will be strengthened in the many years to come. You and the other members of the subcommittee will undoubtedly have a major role in seeing to it that this happens and I in my small way am looking forward to doing the same. Once again, my sincere gratitude to you, Mr. Chairman, and the other members of the subcommittee for your past and continuing support. Sincerely, Tosiwo Nakayama, president, Federated States of Micronesia.

COMPACT IMPLEMENTATION ISSUES

Turning now to the fiscal year 1988 budget request which I will summarize, our request here includes items which are meant to correct what we consider to be erroneous and problematic implementation of the Compact of Free Association, Public Law 99–239, and other relevant laws by the administration, and items most of which the subcommittee knows the FSM Government has been seeking help on since we were under the trusteeship system.

We know, of course, that some of these items are either being taken care of, like the national capital, or are on their way to being taken care of, like the Prior Service Benefits Program.

We hope we can soon add to this list the College of Micronesia, war claims, indefinite land use compensation, medical referral debts, and trust territory deficits.

This committee will recall that my government has been trying to get the so-called transition issues resolved prior to our entry into the free association relationship. While we were not successful in this regard, we take comfort in the fact that authorization for their resolution in the future remains on the books.

With respect to the implementation of the compact, my government must register its disappointment in the way the U.S. administration has fouled up the transition process so carefully worked out with that administration itself and the Congress to enable a smooth phaseout of those Federal programs that must terminate.

Moreover, the unilateral action by the U.S. administration to limit our students eligibility for financial assistance under section 223 of the compact is very disturbing and contrary to our understanding on the matter. We appeal to you for help in correcting the situation so that these and other programs do continue according to the terms of Public Law 99–239 and Public Law 99–658.

We note with appreciation you and your colleagues' efforts in getting the OMB to back away from its position which has cut off funding for certain education programs.

We also suggest that the guidelines for Federal programs drafted by the Interior Department will help in dealing with the overall Federal programs situation and we recommend that they be expedited.

On student financial assistance for postsecondary education, we recommend all forms of assistance be restored to original intent until a more accommodating setup is established.

The request on the College of Micronesia facilities, war claims, prior service benefits, indefinite land use compensation, medical referral debts, outstanding trust territory deficits, and communicable disease are quite familiar to this subcommittee I'm sure.

However, in your deliberations you will find that my government and other parties concerned have done their parts and the only remaining action needed is for this Congress to appropriate the necessary funds.

Of course, we know that delays do cause problems, including problems associated with changes in cost.

I thank you, Mr. Chairman.

PREPARED STATEMENTS

Senator JOHNSTON. Thank you very much, Mr. Ilon.

[The statements follow:]

STATEMENT OF EPEL K. ILON

Mr. Chairman and Distinguished Members of the Subcommittee.

I bring you greetings from President Tosiwo Nakayama and the people of the Federated States of Micronesia. I also wish to express the gratitude of my government for this opportunity to present our views on the Administration's FY 1988 Budget Request, as it affects the Federated States of Micronesia.

Since our last appearance before this Subcommittee, the people of the Federated States have experienced a fundamental change in their political status. On November 3, 1986, we officially joined the community of nations in free association with the United States, and ever since that historic date we have begun the steps necessary to take our rightful place in Pacific and world affairs.

Our new political status has brought a sense of excitement and challenge to the islands. We are all aware of the many hours devoted by Congress to making this new status a reality and are deeply grateful to each of you for your continuous concern and your sustained efforts in support of our long and arduous process of self-determination. I am therefore honored to make this first appearance before you as the representative of the sovereign nation of the Federated States of Micronesia which is voluntarily joined together in free association with the United States of America.

RECENT DEVELOPMENTS

With the monies appropriated by the U.S. Congress, our National Capital is now under construction and is planned for completion by September 30, 1988. The Kosrae Airport project has been completed and regular international air service to that State by Continental/Air Micronesia, began earlier this year. Air Nauru and Airlines of the Marshall Islands have landed on the new runway and may be able to establish regular air service. The airport terminals that are separate from the runway projects are under various stages of competitive procurement, and are due to be completed within two years.

The ALCO power generating plants are operating in Truk and Pohnpei, and will soon be brought on line in Yap, supplying increased electrical power within these States. The Nanpihl Hydroelectric Facility in Pohnpei, being constructed under the management of the Army Corps of Engineers, is nearing completion.

Through efforts by friends in the Labor, Health and Human Services and Education Appropriation Committees, I am happy to report that the Pacific Basin Medical Officers Training Program began its first classes in Pohnpei in January this year.

TRANSITION NEEDS

In our testimony before this Subcommittee last year, we raised the so-called "transition issues", which we hoped would be settled prior to implementation of the Compact. These issues included necessary appropriation for the Prior Service Benefits Program, indefinite land use compensation and medical referral debts. To this list we would like to add the outstanding Trust Territory Government deficit, now estimated at over $13 million.

We are happy to note that the Department of the Interior just last week has finally decided to release the $8 million already appropriated by the U.S. Congress for the Prior Service Benefits Trust Fund. The delay in release has cost the program substantial losses in investment returns. Social Security Administration personnel are expected to complete all the necessary additional reports in the very near future, paving the way for the remaining balance to be appropriated by the Congress for this program.

We have also received information this month that the Trust Territory negotiations on indefinite land use claims are complete and that the High Commissioner is recommending that Interior seek an appropriation of $2.78 million to fund the negotiated settlement on this matter. We urge the Congress to take swift action to bring about a satisfactory conclusion to this long and troublesome issue.

Public Law No. 99-239, Section 105(d)(1) provided for the Administration to be responsible for all medical obligations incurred by FSM patients for the use of medical facilities in the United States including Guam and the Commonwealth of the Northern Marianas, before September 1, 1985. We note that the Administration did not include this funding in its FY 1988 budget. We ask that the budget be amended to include the amount needed to settle all medical obligations as authorized in Public Law No. 99-239. Our conservative estimate for this particular obligation comes to approximately $2.1 million.

The Department of the Interior, Office of Territorial and International Affairs has requested $2.2 million for technical assistance in FY 1988. This reduction of $2.5 million of the amount appropriated in FY 1987 matches the Administration's recission request that Congress rejected earlier this year. The Technical Assistance Program has been one of the most effective programs to date, providing funding for technical experts in finance, budget, communication and in public utilities and computer. Additionally, we have received assistance in the field of transportation, economic analysis, marketing of local products, land record computerization system, health care financing plan, hospital administration, pharmacy and other areas of need. We appeal to this Congress to maintain this program at its current funding level instead of reducing it as recommended by the Administration.

COLLEGE OF MICRONESIA

In order for the Federated States of Micronesia to achieve its goal of increased economic self-sufficiency, it will be necessary to have an informed, educated and trained populace.

The College of Micronesia is the only post-secondary institution in the freely associated states that serves this goal. Having acquired a U.S. land-grant college status, it is now in a position to serve as a prime participant in the agricultural and natural science endeavors of the freely associated states as well.

The Nursing School of the College of Micronesia system has recently moved from Saipan to its new home in Majuro, but is currently housed in temporary quarters. The need for a new nursing school facility is documented in the presentation to this Subcommittee by the Republic of the Marshall Islands, and my government is in accord with the request.

The need for a main campus for the Community College of Micronesia has been recognized by the U.S. Congress ever since it first enacted legislation twelve years ago authorizing an expenditure of $8 million toward construction of a new facility. Yet, despite increasing demands for post-secondary education within Micronesia and the seriously overburdened, overcrowded, and deteriorating buildings of the existing facilities, an appropriation for the campus has yet to materialize. Current cost estimates are in the $12 million range. The construction of the National Capitol, currently underway in close proximity to the location of the new campus, makes this an opportune time to commence construction on the College campus as well, at substantial cost savings. We urgently request this Subcommittee to meet this long-standing commitment to build these new college facilities. FSM representatives have stressed this point to the Administration repeatedly, and as a condition of our entering into the agreement to implement the Compact on the date requested by the United

States, we relied on an Administration promise to address the matter expeditiously. That promise is evidenced by Article II, Section 2(b) of the Implementation and Transition Agreement. Nevertheless, our reminders to the Administration of its undertaking have fallen on deaf ears. Meanwhile, the important opportunity presented by the startup of FSM Capitol Construction in the same area is quickly passing us by.

The value of the College to these islands and our desire to maintain it as a regional institution, has long been acknowledged by all three Micronesian governments as now embodied in the Saipan Accords of 1983.

The operating budget of the College system currently is in excess of $5 million a year. The College is receiving approximately $1.5 million in DOI support in FY 1987 and has almost full advantage of the Pell Grant and other U.S. student financial assistance programs for the remainder of the 1987-88 academic year. While our governments continue to provide what little they can to support the College system, the forecast for funding of the College next year and beyond is very bleak. Thus, pursuant to Compact section 224, continued funding for the College operations is requested in FY 1988. Because of our limited size, the College of Micronesia system cannot be equipped to meet all the highly specialized and diverse manpower training requirements of our new nation. Utilization of larger, more sophisticated institutions of higher learning in the United States must be continued if we are to reach the ambitious social and economic goals set forth in our National Development Plan.

Scholarship monies currently available under the Compact are not sufficient by themselves to meet the needs of our country for funding of post-secondary education. Our government does not have the resources to finance the requisite number of students to attend colleges both at home and abroad. This problem as been compounded by the Administration's erroneous interpretation of Section 223 of the Compact, which has resulted in the termination of our students' eligibility for Guaranteed Student Loans and National Direct Student Loans. Continued Pell Grant and all other forms of post-secondary financial assistance from the U.S. Government is desparately needed for both students attending the College of Micronesia system and for students at U.S. institutions.

WAR CLAIMS

I wish to address once again the issue of outstanding Micronesian War Claims. I will not retrace the long history of this matter, for I know the Subcommittee is aware of its background. However, as the following observation suggests, the next step is to appropriate the amount requested.

U.S. Public Law 95-134 states that before the U.S. will appropriate money for Micronesian war claims, the Secretary of the Interior must certify that Japan has contributed an amount equal to half of the unpaid claims to the Trust Territory Government. The U.S. Department of the Interior recently stated that since enactment of U.S. Public Law 95-134, Japan has given more than $29 million to the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau. That is far in excess of the $12 million required by Public Law 95-134.

In February of this year, the full House Interior and Insular Affairs Committee stated in its Report to the Committee on the Budget that they expect that the full $24 million will be paid out in FY 1988. Recently, the Chairman of the Senate Energy and Natural Resources Committee stated that the Committee hopes to appropriate the total amount owed at the earliest feasible time. In short, Committees in both Houses of Congress agree that these claims should be funded as soon as possible. We wholeheartedly support this position.

FEDERAL PROGRAMS

In past years we sought to make sure we would be prepared to handle the transition from the trusteeship to our new status. With respect to federal programs, we argued that a transition period be established rather than abruptly ending those programs that must terminate. Congress agreed by establishing a three-year transition period. In the FSM, this was viewed with great relief and played a major role in convincing our legislative assemblies to approve the proposed changes to the Compact. Unfortunately, this Administration has failed to understand the intent of the Congress or has chosen to ignore it.

The area most severly affected by the Administration's disregard of the needed transition is the Education System, resulting in significant burdens on our already strained state government treasuries. Some temporary relief had been possible through funds allotted in previous years to the Trust Territory Division of Education but only through the end of last calendar year. We were told that due to OMB's refusal to back away from what we and many in the U.S. Congress believe to be an erroneous interpretation of Section 105 of Public Law 99-239, no additional monies would be available until July of 1987. We have learned that the Office of Management and Budget has now refused to adopt any alternative solutions to the dilemma caused by their initial actions with respect to these programs, and we solicit the support of the Congress to encourage OMB to make a swift, satisfactory resolution of this matter. Meanwhile, we intend to continue to pursue our rights through dispute settlement mechanisms, but these processes are very time-consuming to produce any immediate relief to the situation.

On another federal program we anticipate assistance from, under HUD, just this month, FSM program administrators have learned of an HUD decision to arbitrarily halt Community

Development Block Grant allocations to the FSM and the Marshalls. This action is in direct contradiction to the sense of the Congress under Public Law 99-658 to provide an orderly phase-out of these programs through the first three years of the Compact. CDBG projects are providing very important support to the communities in meeting their basic needs in such diverse areas as water, sanitation and economic development. The loss of these monies will have a direct adverse effect on the lives of our people, especially those in the outlying areas.

Other federal programs throughout the Nation are suffering from a lack of specific guidelines on available monies for the remainder of the transition period. Such information is necessary for an orderly phase down of the programs and reorientation of those who have worked with these programs for many, many years. The Office of Management and Budget has yet to release to the grantor agencies the promised policy guidelines for Federal Programs drafted by Interior in November of last year, and consequently individual grantor agencies are pursuing their own directions.

The arbitrary shutoff of CDBG allocations and the inexplicable interruption in education programs are but two examples of the confusion which has developed in Micronesia. We solicit the help of this Congress in resolving this Federal programs chaos, as soon as possible.

OTHER MATTERS

There are two final matters we wish to bring to the Subcommittee's attention:

First, under the Trusteeship, our governments have had access to the General Services Administration procurement system and have been eligible to acquire excess U.S. Government property, including defense surplus equipment and materials. With the entry into force of the Compact, these opportunities have been terminated. Our governments would like to request restoration of our eligibility for these two programs.

Second, in Section 111 of U.S. Public Law 99-239, the U.S. Government promised to contribute $20.0 million to an FSM Investment Development Fund as partial compensation for the U.S. Congress' action in eliminating certain valuable tax and trade concessions in the originally negotiated Compact. Our government anticipated the first $12.0 million contribution to Investment Development Fund on the effective date of the Compact, November 3, 1986, but the Administration interpreted P.L. 99-239 in such a way as blocking payment of the $12.0 million until FY 1988. Because of this situation, our government already lost and is continuing to lose substantial interest. In the "... Transition Agreement," the Administration agreed to seek as amendment to P.L. 99-239 so that the initial $12.0 million could be released before FY 1988, but has once again failed to live up to its commitment. We now ask the Congress to resolve this problem, so that the $12.0 million can be released as soon as possible and the FSM can made whole with respect to lost interest.

CONCLUSION

Our request this year reflects our expectations that the United States will live up to its commitments under the Compact of Free Association Act of 1985 or P.L. 99-239 and other related laws. Accordingly, we note with appreciation the inclusion of the amounts expected as second-year funding for the freely associated state governments, described as "permanent indefinite appropriation". The other items requested by the Administration, as authorized under Compact Sections 122, 221, 221(b) and 223 are most welcome but my government would remind the Administration that additional authorizations and commitments do exist in U.S. laws and others, that we would have hoped to see reflected in the budget request.

Included among them are the new facilities for the College of Micronesia, War Claims, Indefinite Land Use, Prior Service Benefits, Medical Referral Debts, Technical Assistance, Trust Territory ~~Deficits~~ and Communicable Disease Control. We acknowledge those past contributions and look forward to working with this Congress in making sure U.S. commitments are met and the spirit of the free association relationship is strengthened through the years.

Thank you.

STATEMENT OF PETER M. CHRISTIAN

Mr. Chairman and distinguished Members of the Subcommittee, I appreciate being given the opportunity to add my views to those of Mr. Ilon.

For years the Federated States of Micronesia has been standing at the door of a new era: a period of independence and free association with the United States. During these years, this Subcommittee has been instrumental in providing the means for us to be prepared to take on the responsibility of full sovereignty. Finally, on November 3rd of last year, the last limitations on the sovereignty of the Federated States of Micronesia were eliminated and both the United States and the FSM accepted the responsibilities of Free Association. Given this, I know that the Compact payments are noncontroversial to this Subcommittee and that nothing additional need to be said to you regarding them.

FEDERAL PROGRAM ELIGIBILITY

Unfortunately, the Administration has not been as understanding. While Congress has been clear in its intent, the Administration has failed to carry it out. This has led to a continuing problem with eligibility for federal programs that I wish to bring to your attention. The primary example of this problem is the temporary cut off of certain forward funded educational programs. Congress certainly did not intend this. In addition, as Mr. Ilon noted, other agencies have taken the position when a program is reauthorized we are cut off from funding unless specifically mentioned. This is being done irrespective of the language in the Compact and P.L. 99-658 regarding the phase-out of federal programs. This is unacceptable and inconsistent with the Compact. We hope that Congress will clarify these situations.

Aside from the problem of federal programs, I come before you today to ask for funding for two transitional appropriations from the Trust Territory period that should be addressed this year.

COMMUNITY COLLEGE OF MICRONESIA

The most needed transitional appropriation for the FSM is the funding of the construction of a new campus for the Community College of Micronesia. At the time that the Compact of Free Association was put into effect, our two governments signed a transitional agreement indicating that certain issues, including the funding of the CCM Campus, would remain open for resolution. It is our belief that it is time for this matter be closed. We look to this Subcommittee for its continued assistance in resolving this matter.

The importance of education to an emerging nation such as ours cannot be overstated. We in the FSM are now pursuing an ambitious development plan designed to establish a private sector within the Federated States within the next fifteen years that can support the economy of the country. An integral part of that plan is the development of higher educational facilities to supply the talent necessary to fulfill the other goals in the plan. It is our desire that the Community College of Micronesia fill this role. We are working to improve the quality of education at CCM. In addition, there is a great need to improve its physical facilities but we do not have the resources to complete this project on our own. Nearly a decade ago this Congress authorized the expenditure of $8 million to construct a new campus. Since then, the cost of construction increased substantially. By 1984, when the initial architectural and engineering work was completed, the cost of the planned facilities had risen to $12 million. Further estimates are expected to produce a higher figure. I ask this Committee to favorably consider funding the construction of a new campus for the Community College of Micronesia.

WAR CLAIMS

The second transitional issue is the payment of the war claims for injuries incurred over forty years ago which were adjudicated more than 10 years ago. Previously, Congress has been hesitant to act because the Administration has failed to indicate that the Japanese government had paid its share. Now, the Administration has admitted that the Japanese government has paid Micronesia far in excess of the required level of compensation. I believe that there is no further impediment to Congressional action. I urge this Committee to recommend an appropriation of $24 million for this purpose.

In summary, I would extend my appreciation and the appreciation of my colleagues in the Congress of the Federated States of Micronesia for the assistance you have given us in the past and I look forward to working together with you in the future.

EDUCATION CUTOFF AND LAND USE SETTLEMENT FUNDING

Senator JOHNSTON. I share your interest in seeing that the education cutoff and land use settlement funding is provided as soon as possible. I believe these are U.S. obligations and that they should not be thought of as requests by your government. They are responsibilities, as far as I am concerned, of the U.S. Government. We believe that OMB is responding to the educational funding cutoff. I have been so assured by Mr. Joe Wright and while I was in committee hearings for 7 hours yesterday and have no idea what has been going on in my office, I will ask now for a progress report.

We think they are going to come up with action by tomorrow and I have been so assured. And to be sure, we will probably put some language in the supplemental on that to fulfill that promise.

Now, the Department of the Interior is expected to send personnel to the FAS to provide Federal program assistance. Persons with what areas of expertise would be most useful to your government?

Mr. ILON. The general area of Federal programs is a matter of knowing what has been happening under the trusteeship and transferring those responsibilities to our administrators in the FSM. That has been going on and we do recommend that that effort be continued and, again, we are making progress in that area and we do acknowledge the help of the various Federal agencies, the Department of the Interior, and the High Commissioner's Office.

Senator JOHNSTON. All right. Thank you very much, Mr. Ilon, and I also want to thank you for the courtesies extended to my staff when they were recently at FSM. We appreciate that very much.

Mr. CHRISTIAN. Mr. Chairman, may I add a few words?

Senator JOHNSTON. Yes.

STATEMENT OF PETER M. CHRISTIAN

Mr. CHRISTIAN. My presence here is simply to make sure that he says the things properly and in good order. I think he's done that.

It has been a legacy in the past when we were under the trusteeship system that we would come up with a statement and expect 100 percent that they would be reviewed in the Interior Department and the trust territory administration. I believe that later on this afternoon you will hear some rebuttals as to the true needs we are presenting to you.

Mr. Chairman, it would be important for us to ask you to note that while your Government and ours have established and identified the form of government on which the Micronesian people are to build their country, the task of building it remains before us.

We have negotiated for 15 years to come up with this document. We've given 15 years to build a nation and it is especially important at this point for us to appear before you, and we always look forward to this opportunity, to present to you personally what we feel would be the most useful programs and projects to help us move on with our development plans.

It is in that sense, Mr. Chairman, that we continually appeal to you and your colleagues for assistance.

While there are those in the administration who would want you to believe that the compact—technical assistance and money provided—is adequate for us to build the infrastructure and, therefore, the nation, I am prepared to swear on the Bible that that is not the case.

I am sure that your staff during their visit to Micronesia and more particularly to the College of Micronesia campus would affirm the fact that that place is a bit shy of being eligible to be called a campus and we ask you for your favorable consideration for the funding of the college during your deliberations here.

POHNPEI HYDROELECTRIC PROGRAM

I also would like to take the opportunity to thank you and I know you personally have been very instrumental in getting several programs started in the FSM. More particularly, the hydroelectric program in the State of Pohnpei. I'm happy to report to you that they have gone over the 50 percent mark and are on their way to completion. It is estimated that in November the hydroelectric plant will begin to generate power.

Senator JOHNSTON. I would love to be there when they start up that facility. I don't know whether I can but I would like very much to do that.

Mr. CHRISTIAN. Mr. Chairman, if you would come down, it is also rumored that the Corps of Engineers has a scheme to increase the output of power with a minimum of additional funding. I haven't been privy to their plans, but I am sure that they will bring that plan to you and hope that you would consider it favorably.

Senator JOHNSTON. As I say, I take a very proprietary interest in that hydro project.

Mr. CHRISTIAN. I believe I have a few more minutes and with that I would like to stop and see if you have other questions. We have brought Mr. Pangelinan so we can answer all the hard questions. We are here to answer the easy ones.

Mr. ILON. May I just add that the executive branch does support the statement of the legislative branch.

Senator JOHNSTON. Thank you very much, gentlemen. You always do a good job and you made your case very well to staff when they were out there at the islands, so we will try to respond as best we can. Thank you very much.

REPUBLIC OF THE MARSHALL ISLANDS

STATEMENT OF HON. OSCAR deBRUM, CHIEF SECRETARY

PREPARED STATEMENT

Senator JOHNSTON. Next, we have the Republic of the Marshall Islands with Oscar deBrum, chief secretary. Mr. deBrum, we are very glad to have you and my staff also says that they had a very pleasant time with you out in the Marshalls.

Mr. DEBRUM. Thank you, sir.

Mr. Chairman, we have for the records of this committee submitted a complete and detailed statement and I thank you for accepting it as part of the record of this hearing.

[The statement follows:]

STATEMENT OF OSCAR DEBRUM

Mr. Chairman and distinguished members of this Committee:

On behalf of President Kabua and the people of the Republic of the Marshall Islands, I wish to thank you for the opportunity to submit testimony on the Fiscal Year 1988 United States budget as it relates to the Republic of the Marshall Islands.

When I testified before you twelve months ago, the Marshall Islands was still administered as a division of the Trust Territory of the Pacific Islands. This relationship ended last October when the Compact of Free Association became effective and the Trusteeship ceased to apply to the Marshall Islands. I address you today as an official of a sovereign nation that has chosen to maintain a close political relationship with your own great nation.

I propose to speak to the current state of affairs in this new relation between our countries. I will affirm the general contentment of the Marshallese people with the relationship of free association. I will also point out transitional difficulties that have arisen and I will discuss certain expectations we had of the Compact of Free Association that have, thus far, met with disappointment. I most certainly will not be asking this Committee to provide funding for activities that we consider beyond the scope of the Compact.

Introductory Remarks

Before commenting on the Fiscal Year 1988 budget as it pertains to the Marshall Islands, I must express the sincere gratitude of my nation to the United States Government, and particularly the United States Congress, for the support it has given in this first year of free association. Despite setbacks -- chief among them long delays and the inability of the United States to implement the Compact for Fiscal Year 1986 -- the Congress has responded with compassion and understanding during these early months of our new relationship. Congress has been especially supportive during the transitional phase-down of federal grant programs: Congress reinstated the many Health and Human Services and Labor programs that had been inadvertently stopped many months before the Compact became effective and Congress provided for a gradual withdrawal of federal grant programs during the first three years of the Compact so as to minimize disruptions in government services. In addition to the funding for the first year of the permanent indefinite appropriation for the Compact, Congress has provided $2.6 million for a Capitol building for our nation, appropriated $8.0 million to capitalize the Prior Service Benefits Program for Micronesian civil servants who worked during the early years of the American administration, and reaffirmed its commitment to the people of the islands in the northern part of our nation who were affected by the United States Nuclear Testing Program. For your generosity in all of these matters, you have our deep gratitude.

Report on Development

I do not think it necessary for me to dwell upon our political development, since this is self evident. However, this year we have seen the emergence of effective, democratically elected local governments within the atolls and islands of the nation. The local government councils of the two major urban centers at Majuro and Ebeye have assumed responsibility for many community services and greatly improved their communities. The local government councils for the less populous atolls and islands are providing energetic democratic leadership within their own communities. As the Compact came into effect, the councils of the atolls affected by the United States Nuclear Testing Program have played an important role in implementing the Section 177 Agreement.

The past year has also seen a strengthening in the social services administered by my government. Several major public facilities have opened in this period.

Our school system was enhanced with the completion of new classroom buildings at nine locations, including an eight-classroom facility at Ebeye. The other communities to receive new schools were Laura in Majuro Atoll; Enejet, Nallo, and Lukonwod in Mili Atoll; Kilange in Arno Atoll; Loen in Namu Atoll; Lae; and Wotto. Construction is in progress for a large new elementary school building in Majuro and preparations are underway for constructing schools at nineteen other island locations. The construction of the schools in rural areas has been accomplished by voluntary labor from the communities. A new cafetorium, funded by a congressional appropriation, was opened at the Marshall Islands High School in Majuro.

The new Majuro hospital opened in April. This 81-bed facility, which was also funded by an appropriation of the United States Congress, provides a comprehensive range of health care services, including 24-hour communication with dispensaries in the outer islands for consultation and emergency medical care and administration of the national primary health care programs. Now that a modern medical facility has been established in the Marshall Islands, it has become a goal of the government to minimize overseas medical referrals. Although the United States Administration had been very generous in evacuating Marshallese patients to military hospitals in Guam and Honolulu, such referrals for tertiary medical care are extremely expensive -- perhaps beyond the means of a developing nation. When the old Majuro hospital facility was vacated, my government renovated a portion of it as a temporary home for the College of Micronesia Nursing School, which relocated from Saipan to Majuro last September.

I should note that a number of other developmental projects have been completed or are nearing completion. Chief among these are construction of a sewer system in Majuro, the electrification of Laura Village at the western end of Majuro Atoll, and the completion of a power plant and desalination plant at Ebeye, which were dedicated earlier this year. (Attached to this statement is a report on recent and current capital improvement projects.) By providing funding for capital improvement projects such as these, the United States has helped put in place much of the infrastructure that will be needed for the continuing development of the Marshall Islands.

Financial Status

To further strengthen the economy of my small nation, I am pleased to report that the Government of the Marshall Islands has strictly adhered to a policy of fiscal responsibility. It has continued efforts to improve its financial management capabilities and systems. During the past year, the Ministry of Finance implemented new computerized financial management applications developed with technical assistance sponsored by the Office of Territorial and International Affairs and several more systems are now under development. The Nitijela, the national legislature of the Marshall Islands, is currently developing legislation in the areas of financial management, budgeting, and procurement. The Government of the Marshall Islands, in compliance with its constitution, retains a vigorous and independent Auditor-General to ensure compliance with acceptable government accounting procedures.

When the funding provided by the Compact became available in late October, my government was poised to invest the $150.0 million provided by the United States to capitalize "The Republic of the Marshall Islands Nuclear Claims Fund." Beginning in the Spring of 1986, we went through an exhaustive screening process to select the investment advisors and the custodial bank best suited to the purposes of the Fund. I am pleased to report that the first and second quarterly disbursements have been distributed to the beneficiaries who were prepared to accept them and that management of the Fund is proceeding well. (Other aspects of implementation of the Section 177 Agreement are proceeding satisfactorily. Legislation is currently being drafted to establish the Claims Tribunal. The Government of the Marshall Islands is in the process of recruiting scientists to undertake the Rongelap Assessment mandated by Section 103(i) of P.L. 99-239; it is our intention that, by the time this Committee considers the budget for Fiscal Year 1989, the Rongelap Assessment will have been completed and my government and the people of Rongelap will be in a position to make recommendations concerning a clean-up of Rongelap Atoll, based on the findings of the Assessment.)

I am also pleased to report on the sound financial status of the Government of the Marshall Islands. The financial management of government services is highly disciplined, in a manner appropriate for a small developing nation. Fiscal Year 1986 was the third consecutive year in which my government has avoided an operational deficit. During the same period, locally generated revenues accounted for fifty-six percent of the government's operational expenses.

The amount of surplus does not take into account the cumulative deficit due to long-term debt previously incurred for such key developmental projects as the Majuro power plant and the national airline. In anticipation of Compact-level funding for both Fiscal Year 1986 and Fiscal Year 1987, The Government of the Marshall Islands had intended to pay off a large portion of its long range debt as soon as the Compact became effective. When it became apparent that Compact funding would not be provided retroactively to Fiscal Year 1986, we made partial payments to our long-term debt creditors in the amount of $11.9 million and, in order to stabilize our debt service, began renegotiation of an issuance of $65 million in general obligation bonds. $53.5 million of the proceeds of the bond issue will be used to retire the remaining long-term debt. My government intends to conclude an agreement on the bond issue within the next week or two. It is important to note that, in accepting the fiscal constraints made necessary by the terms of the bond issue, the Government of the Marshall Islands is committed to no growth in the cost for its national government administration during the next ten years.

Such fiscal restraint is consistent with the general intention of the government to privatize and decentralize government services and generally encourage growth of the private sector. As we emerge from a forty-year period during which the local economy was dominated by government activity, it is our intention that the economy of the Marshall Islands evolve towards competitive free enterprise. I have previously touched upon the expanded responsibilities of the local government councils. I will further note that the operation of the Majuro power plant has been successfully managed by a private organization for several years, while private contractors are now providing management services in the areas of public works, hospital administration, and management of capital improvement projects. Further privatization of government services is being actively pursued. The expansion of our private sector is notable and will be further encouraged by several of the developmental programs made available under the Compact.

It must be pointed out that, although fiscal constraints and the turn toward privatization have been long-standing policies of my government, we had to tighten our belts drastically last October when the decision was made here in Washington not to provide retroactive funding at Compact levels for Fiscal Year 1986. You will recall that the Fiscal Year 1986 funding was deleted from the first year of Compact funding right at the time that the Compact was being implemented. We in Majuro found it mighty dispiriting. The national budget that had been prepared for the current year had to be painfully slashed. Many of the developmental projects that had been planned for the first year of the Compact -- and widely anticipated -- had to be delayed or cancelled.

In the same vein, the Government of the Marshall Islands had expected to receive the first $6.0 million of the Investment Development Fund pursuant to Section 111(b) of the Compact Act and had begun to devise developmental strategies for the Fund. Since the first portion of the Investment Development Fund moneys were tied to the second year of Compact-level funding, these plans also had to be postponed for twelve months.

Fiscal Year 1988 Budget

For Fiscal Year 1988, the Administration is requesting $45.9 million in permanent indefinite appropriations and program grant assistance for the Marshall Islands. This level of economic assistance is assured by the Compact. My government is counting on this assistance to cover a significant portion of its operational and developmental expenses next year. The schedule of economic assistance spelled out in the Compact is the stable financial foundation of my young nation; with the foreknowledge of the fifteen-year commitment of the Compact, our leaders are able to plan, through the instrumentality of our national development plan, for economic development and the provision of government services with the confidence that specified levels of financial aid will be provided by the United States.

Mr. Chairman, we endorse the Administration's request.

However, in light of the difficulties encountered during the transitional period, the Government of the Marshall Islands seeks several additional appropriations from this Committee that will allow fuller implementation of the Compact of Free Association Act of 1985 (P.L. 99-239), as amended, and address certain of the unfinished business of the Trust Territory Administration.

My government is gravely concerned about the interruptions that have occurred in the funding of federal grant programs. I am sure you are well aware that P.L. 99-658 provides for a three-year transitional period during which most federal grant programs will be reduced and withdrawn from the nation. However, the Office of Management and Budget has yet to release to the grantor agencies the Policy Guidelines for Federal Grants that were drafted in November by the Secretary of the Interior. The result of this lack of direction has been that the federal grantor agencies have been making their own transitional arrangements with the TTPI Headquarters and my own government. Given the different starting dates for the project years of the various programs and given the varying degrees of interest by the grantor agencies for accomplishing the transition, all the best intentions for an orderly transition have been dashed.

The most serious breach in implementation of the Compact by the United States Government has occurred in the interruption of federal education programs. Despite the provision of Section 105(i)(2) of P.L. 99-239 for federal education programs to wind down during a three-year transitional phaseout period, we are presently experiencing an inexplicable gap in the funding of these programs, which is adversely affecting the daily operation of the nation's schools. Carry-over Fiscal Year 1986 funds were allotted from the Trust Territory Division of Education to the Marshall Islands for the period October 1 to December 31, 1986, yet my government has been informed that the remaining three quarters' worth of these forward-funded moneys have been impounded by the Office of Management and Budget and will not be forthcoming. As the same time, we are told that further funds specifically earmarked for the three-year transition will not become available until July 1, 1987. The result has been a sudden and unanticipated six-month gap in the flow of funding. Although we have managed to cover the personnel costs of the 140 employees of the federal education programs, the lack of available funds is severely affecting various ongoing educational activities. Specifically, teacher training programs scheduled for this summer cannot be arranged; the annual spring elementary-level achievement testing program has been cancelled; the needed reprinting of locally-developed basal readers must be indefinitely deferred; the immediate replacement of worn-out secondary vocational education equipment cannot be accomplished; shortages in basic classroom supplies are appearing; additional supplies and furniture needed to accommodate a major increase in the number of Handicapped students served cannot be procured; planned school renovations are being delayed; and essential travel by Education Specialists to the many rural schools is being halted. Direct supplementary assistance to the many private schools in the Marshall Islands has also been cut off. My government views the action of the Office of Management and Budget as being inconsistent with the Compact of Free Association and contrary to the intentions of the United States Congress and the Marshall Islands Nitijela when they ratified the Compact. Holding back previously appropriated Fiscal Year 1986 funds can be construed as a direct violation of Section 219 of the Compact and Section 105(h)(3) of P.L. 99-239.

Inasmuch as the United States Government is unable to administer the phase-down of federal education programs without seriously disrupting the school system of my nation, I am asking the United States Congress to amend Section 105(b)(3) of P.L. 99-239 to the effect that federal education programs continue to be made available to the Republic of the Marshall Islands as they have in the past.

You will recall that, a year ago, a number of other federal grant programs operating in the Marshall Islands were interrupted, apparently inadvertently, by a provision of P.L. 99-178, which has since been repealed. These earlier interruptions in the services of federal grant programs occurred nine months before the Compact had even been implemented and several of the programs affected -- the programs of the Public Health Service and the Job Training Partnership Act -- are mandated by P.L. 99-239 to continue to be available to the Marshall Islands for the duration of the Compact. The experience of the past twelve months does not bode well for the provision of the few federal programs assured to us by the Compact (most of which would contribute to the economic development of the nation). Indeed, it now appears that the USDA intends to discontinue the Special Food Assistance Programs to several outer island communities, including the communities of Rongelap and Utrik, even though it was our understanding that such assistance would be withdrawn decrementally over the next three years.

I now wish to address a second issue relating to an apparent breach of Section 219 of the Compact by the United States Government. My government has been informed by officials of the TTPI Headquarters that the TTPI has an audited cumulative deficit of $13.5 million incurred during Fiscal Years 1980, 1981, and 1982. Now that the TTPI Headquarters is closing down, the issue of the deficit will have to be squarely faced. At several points, the Compact provides assurances that the Government of the Marshall Islands will not have to assume the debts of the TTPI; Section 105(j) of P.L. 99-239 absolves the Government of the Marshall Islands from liability for TTPI debts to United States federal agencies and authorizes the appropriation of such sums as are necessary for this purpose. I would ask that you appropriate the $13.5 million required to retire the TTPI debt. Although my office has been assured by the Administration that the Secretary of the Interior has budgeted funds for this purpose as an amendment to the Fiscal Year 1988 regular appropriation, we had been previously been informed that the Office of Management and Budget has notified the TTPI Headquarters to fund the deficit from funds already appropriated to the TTPI for specific capital improvement projects. The prospect is most distressing. Such a recall of CIP funding would be disastrous to projects currently underway or about to begin. It is unthinkable that the United States Government would ask back the funding it appropriated last year for the Jaluit Dock, the Majuro Water Project and our Capitol building. In any case, Section 219 of the Compact states most clearly that such unobligated funds shall accrue to the freely associated states for the purposes for which they were originally appropriated. Mr. Chairman, this is the law of both your country and mine and we expect it to be obeyed.

If the loss of anticipated federal education moneys cannot be reversed or if CIP funding intended for the Marshall Islands is returned to the federal treasury, it is the intention of my government to invoke the provisions for dispute resolution provided by Article II of Title Four of the Compact.

In addition to these two particular problems which my government has encountered in the early stages of the free association relationship and which we ask you to help us resolve, we would request that funding for several other items -- relating to either the Compact or the unfinished business of the TTPI -- be added to the Fiscal Year 1988 budget. These additional requests include:

(1) Education Assistance to offset impounded funds, $2.0 million;

(2) Construction of Facilities for the College of Micronesia, $10.0 million (including $3.3 million for relocation of the Nursing School from the Northern Mariana Islands to the Marshall Islands);

(3) College of Micronesia Operations, $1.2 million;

(4) Medical Referral Debts, $4.0 million;

(5) War Claims, $24.1 million;

(6) Investment Development Fund, $4.0 million;

(7) Capitol Building, $7.4 million;

(8) Inventory and Study of Natural, Historical, Cultural, and Recreational Resources of Micronesia, $1.0 million;

(9) Indefinite Land Use Payments, $2.0 million;

(10) Enjebi Community Trust Fund, $5.0 million;

(11) Department of Energy Radiological Health Care Program for Rongelap and Utrik, $1.2 million;

(12) USDA Agricultural and Food Programs for the peoples of Bikini and Enewetak, $2.1 million;

(13) Bikini Atoll Clean-up, $31.2 million for the base camp on Eneu Island; and

(14) Technical Assistance, $2.3 million.

Mr. Chairman, I am also laying before this Committee the requests for infrastructure development projects that have been prepared by the local governments of Jaluit Atoll and Kwajalein Atoll: $13.0 million for Jaluit and $5.08 million for the Kwajalein Atoll Development Authority.

I would like to furnish additional detail on each of these requests.

Education Assistance. The Office of Management and Budget has suggested that the best resolution to the problem of the impounded federal education program funds would be for Congress to appropriate the missing amount. Section 224 of P.L. 99-239 makes provision for the extension of such grant assistance. The dollar value of Education projects that have been approved for and subsequently withheld from the Marshall Islands for the current fiscal year is $1,847,977; this figure represents the anticipated grants to the Government of the Marshall Islands and does not include ECIA Chapter 1 State Education Agency administration funds or Chapter 2 State Education Agency program funds that have been awarded directly to the TTPI Headquarters. With the inclusion of such administrative costs, the value of the Fiscal Year 1987 Education grants withheld from the Marshall Islands surely exceeds $2.0 million and we seek an appropriation in this amount.

College of Micronesia Nursing School. My government fully endorses the proposal of the Committee on Interior and Insular Affairs that the amount of $10.0 million be appropriated for the cost of a new building for the College of Micronesia in the Federated States of Micronesia, the relocation of the nursing school from the Northern Mariana Islands to the Republic of the Marshall Islands, and the renovation of the Micronesian Occupational Center in the Republic of Palau. The Committee viewed this support of the College of Micronesia system as a responsibility that the United States should meet in terminating the Pacific Islands trusteeship.

As I have previously noted, the Government of the Marshall Islands has been renovating the old Majuro hospital to serve as a temporary facility for the College of Micronesia Nursing School, which relocated from Saipan in September 1986. My government has already used $360,000 of its own funds for the renovation and will spend an additional $150,000 to complete this work. The Nursing School is still seeking a permanent site and structure, since the present facility lacks sufficient office space and classroom space and is too far away from the new hospital.

The presidents of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands endorsed the construction of such a nursing school in their Saipan Accords of October 5, 1983.

To fulfill the demand for qualified nursing personnel in Micronesia, the Nursing School will be an integrated medical learning facility. The school will have facilities to train approximately sixty students, with living accommodations for fifty students and ten school officials. I believe that completion of the Nursing School is essential to our effort to train enough nurses, including nurses for the Intensive Care Unit and the Neo-natal Unit of the new Majuro hospital; we have not been able to open either of these units due to the lack of qualified health services personnel.

The site designated and already leased for the Nursing School is directly adjacent to the new Majuro hospital, which, with eighty-one beds and nearly 60,000 square feet of space, has the potential of becoming the most sophisticated and best equipped hospital in the region. The school will operate in close cooperation with the hospital, utilizing its facilities, equipment, and staff for practical training programs. The new facilities will be of institutional quality construction with special emphasis on minimizing the harsh and corrosive effects of the tropical environment. A copy of the specifications for the project are attached. This project will cost approximately $3.3 million and we request that an appropriation in this amount be specifically earmarked for the Nursing School.

College of Micronesia Operations. The Government of the Marshall Islands fully supports the request by the Federated States of Micronesia that the United States Department of Interior continue to support the College of Micronesia with annual operational grant at previous levels, at least for the 1987-88 academic year. A continuation of this block grant to the College will be transitional in nature, allowing the three governments of Micronesia adequate time to made provisions for the College of Micronesia system to continue.

Medical Referral Debts. In recent weeks, at the prompting of the Committee on Interior and Insular Affairs, the Government of the Marshall Islands has submitted to the Department of the Interior an itemized list of all medical referral debts outstanding prior to September 1, 1985. The total amount of this debt is $1,333,000. In addition to this amount, my government has already paid United States physicians and medical institutions a total of $2,672,000 for medical expenses incurred prior to this date. In accordance with Section 105(d) of P.L. 99-239, I would ask this Committee to appropriate the full amount of these expenses for earlier medical services. I feel that the entire amount is due to my government and that it would be unfair for my government to be penalized for having cleared a sizeable portion of its medical debt.

War Claims. Together with the other political entities of Micronesia, the Government of the Marshall Islands is seeking a payment of $24.1 million from the United States Government for the damage and loss to person and property caused by the hostilities of World War II. Earlier authorization for these payments was contained in P.L. 95-134.

Investment Development Fund. Section 111(b) establishes an Investment Development Fund of $10.0 million for the Marshall Islands in partial compensation for the loss of certain tax and trade provisions that were contained in the Compact as originally negotiated. By the terms of P.L. 99-239, the first

$6.0 million of the Fund will be made available to the Marshall Islands in the first full Fiscal Year after the effective date of the Compact (and a request for this amount is contained in the Administration's budget submission for Fiscal Year 1988), while the remaining $4.0 million would become available in the third full Fiscal Year. Regrettably, the Compact came into effect a few days after the beginning of Fiscal Year 1987 and, for this reason, the first payment for the Fund could not be released as scheduled in October 1986. In partial compensation for the unanticipated delay of one year in establishing the Fund, I would ask that this Committee appropriate the additional $4.0 million required to fully capitalize the Fund at the beginning of Fiscal Year 1988.

Capitol Building. Although Congress has appropriated the amount of $2.6 million for the construction of a capitol in the Marshall Islands, the estimated cost of an adequate facility is $10.0 million. We respectfully request that this Committee appropriate the amount of $7.4 million to fully fund the capitol construction. Funding for such a project has long been considered by the United States Government to be one of the final obligations of the TTPI administration.

Inventory and Study of Natural, Historical, Cultural, and Recreational Resources. Section 104(b) of P.L. 99-658 provides that the National Park Service shall undertake a comprehensive inventory and study of significant natural, historical, cultural, and recreational resources in Micronesia. The Marshallese people are strongly committed to preserving their cultural and historical heritage and we ask that $1.0 million be appropriated so that this project can be completed within the two-year deadline imposed by the law.

Indefinite Land Use Payments. Because of its physical isolation and the security requirements of the Kwajalein Missile Range, the Marshall Islands was accorded fewer public services than the other areas of Micronesia during the four decades of the Trust Territory administration. Consequently, payment by the United States for land used for public facilities by the Trust Territory is less important to us than it is elsewhere in Micronesia. Nonetheless, my government requests that all such debts be paid in accordance with Section 105(m) of P.L. 99-239.

Enjebi Community Trust Fund. The island of Enjebi in the northern portion of Enewetak Atoll was the site of many of the nuclear tests in the 1940's and 1950's. This area of the atoll has been considered by physicists of the Department of Energy to be unsafe for human habitation and, as a consequence, the villagers who were removed from Enjebi and their descendants have been forced to reside elsewhere. Most of them now live in the main village of Enewetak or at Ujelang Atoll. The United States has committed itself to the clean-up and resettlement of Enjebi Island and has already provided the amount of $5.0 million as the initial endowment for a $10.0 million trust fund that will enable the people of Enjebi to reestablish their own village on its former site, if it is found to be safe, or elsewhere if need be. We ask that you appropriate the additional $5.0 million required to capitalize the Enjebi Community Trust Fund.

DOE Radiological Health Care Program for Rongelap and Utrik. P.L. 99-239 provides that, at the request of the Government of the Marshall Islands, the United States would continue to provide special medical care and logistical support to the residents of Rongelap and Utrik Atolls who were exposed to radioactive fallout resulting from the 1954 "Bravo" test. We ask you to honor the assurance of Senate Concurrent Resolution

No. 171 of the Ninety-Ninth Congress that the Department of Energy Radiological Health Care Program is a special and continuing moral obligation of the United States Government and shall continue for the first eleven years of the Compact. At this time, we request an appropriation of $1.2 million to provide these services for Fiscal Year 1988. We note that the $2.0 million available annually for the Section 177 health care program will be barely sufficient to continue the medical services made available under the Four Atoll Program. It is our understanding that this is how Congress would like to see us utilize these funds. These funds would not be available to support the DOE programs.

USDA Agricultural and Food Programs -- Bikini and Enewetak. By the terms of P.L. 99-239, at the request of my government, the Government of the United States is to provide food support to the people of Bikini and Enewetak for the first five years that the Compact is in effect. For Fiscal Year 1988, we request that the amount of $2.1 million be appropriated for this purpose. This funding will enable the continuation of an ongoing agricultural planting and maintenance program on Enewetak and a continuation of food programs for the people of both atolls.

Bikini Atoll Clean-up. The Government of the Marshall Islands fully supports the plea of the Bikinians to return to their homeland and, to further this purpose, my government requests appropriation of the amount of $31.2 million to establish a base camp on Eneu Island for the logistical support needed for the clean-up process. The cost estimate for the project was derived from plans developed by the Energy Support Division of Holmes and Narver for the base camp.

Technical Assistance. Section 105(1) of P.L. 99-239 makes certain non-reimbursable technical assistance programs available to the Marshall Islands during the Compact period to the extent such assistance may be provided to States, territories, or units of local government. We greatly appreciate this provision and the technical assistance which we have received through the Office of Territorial and International Affairs in the past. It has enabled us to improve our systems for financial management, planning, and communication, develop civil aviation regulations, promulgate offshore banking regulations, establish a patient monitoring system for the medical referral program, and provide training to police officers.

Mr. Chairman, as our responsibilities increase with self-government, so does the need for technical assistance. Technical assistance has become even more important as federal grant programs are being reduced and our government begins to provide some of these services on its own.

In the past, the OTIA program of technical assistance has proven to be an effective, cost-efficient means for accomplishing a well-defined task or improving the technical proficiency of our own civil servants. Under the sponsorship of this program, a technical expert would be employed for a set period to time and complete the agreed upon body of work. Thus, our requests for a particular project of technical assistance have always been modest. Generally, the grants for technical assistance have contributed directly to developmental projects. Most of the technical assistance grants received during the past year related to the new responsibilities which our government assumed under the Compact. There are a number of areas in which we are still seeking short-term technical expertise, including privatization, environmental protection, planning and management, operation of our new sewer system, and administration of the Majuro hospital.

We would ask this Committee to appropriate the amount of $2.3 million for Fiscal Year 1988 to provide technical assistance to the freely associated states, with $300,000 of this amount being earmarked specifically for the production of Coastal Resource Atlases for the major centers of population in the Marshall Islands.

Production of Coastal Resource Atlases for the Marshall Islands will provide baseline data on the availability and distribution of resources as well as information necessary for environmental protection. In the case of the Marshall Islands, where the land area is only seventy square miles, potential for development lies mostly in the development of its marine resources. The survey would generate information relating to the presence and distribution of various types of marine resources, including traditional fishing methods (both deep water long line fishing and bottom fishing), fish migration routes, endangered species, configuration of sea channels and coral reefs, as well as other information relevant to coastal development. The comprehensive coastal atlas program would include all inhabited atolls and islands and would require several years. Phase one of the program would include the urban centers of Majuro, Kwajalein, and Arno (due to its proximity to Majuro). The projected total cost for Phase one of the project is $300,000. An itemization of costs is attached. This technical assistance project would be performed by the Pacific Ocean Division of the U.S. Army Corps of Engineers which has prepared similar atlases for the State of Hawaii, American Samoa, and other areas of Micronesia.

Jaluit Atoll Projects. The elected leadership of Jaluit Atoll has requested $13.0 million to begin the development of that atoll, which is the third most populous community in the Marshall Islands. At present, Jaluit lacks the infrastructure necessary to initiate development of its agricultural and marine resources. Attached is a detailed description of the capital improvement projects which would make possible this development.

KADA Infrastructure Projects. Under the Compact and its subsidiary military use agreement, a total of $71.1 million will be available for developmental projects for Kwajalein Atoll during the next 30 years. An additional $5.08 million is requested at this time to begin their implementation. These preliminary projects are summarized below. The projects have been devised by the Kwajalein Atoll Development Authority to improve the economic and social conditions of the Marshallese people residing on Ebeye Island.

1. Causeway -- the first year. Along with the Power and Desalination Plant Project, the Causeway remains KADA's highest priority. With the Environmental Impact Permit process completed, the Gugeegue housing and the causeway are considered necessary. Dredge purchase and first year construction -- $2.5 million.

2. Sanitary Landfill for Ebeye High School. At the northern end of Ebeye, a sanitary landfill will replace the existing open dump site. Upon complete of the landfill, this site will serve as the base of the causeway construction and the location of the intended Kwajalein High School complex. Revetment, landfill and equipment maintenance -- $750,000.

3. Public Health Facility -- the Community Health Center. This project is designed to expand public health services administered by the Ebeye hospital, including the prevention and control of communicable disease. The Government of the Marshall Islands has already funded the operational expenses of the

program, while KADA has assumed responsibility for construction of the facility. Construction of hospital public health extension -- $280,000.

4. Dock Rehabilitation -- Phase I. KADA has commissioned the design of necessary repairs to the dilapidated Ebeye Dock Facility, funded in part by a grant from the United States Department of the Interior. The first phase of the long-term repair of the dock would provide for the installation of two bulkhead mooring stations to take the full force of docking ships, a more durable fender system and concrete reinforcing. Mooring stations, fender and reinforcing -- $1,550,000.

Conclusion.

Mr. Chairman, I wish to thank you for the opportunity to speak before this Committee today and I thank you for the kind attention that you have given to the concerns of my government. To the people of the Marshall Islands, every one of these projects is important. It makes a great difference to us if school programs are suddenly stopped. It makes a great difference if funding never appears for capital improvement projects we have counted on. I know that officials of this Committee have shown great concern for the well-being of the Micronesian states and I ask you to consider my requests with sympathy today.

In all that I have said today, I have not intended to qualify in the least the commitment of my nation to the ties established between our nations by the Compact of Free Association. That document defines much about the relation of the Marshall Islands to the rest of the world. You could find a well-thumbed copy of the Compact in every office of my government. School children are studying it. It sits in many homes. To us, the Compact of Free Association is extremely important and we ask America to do its utmost to abide by the terms of that agreement.

Kom kanuij in emol.

U.S. DEPARTMENT OF THE INTERIOR
FOR THE
REPUBLIC OF THE MARSHALL ISLANDS

Bureau/Office: Territorial and International Affairs
Fiscal Year: 1988
Appropriation: Compact of Free Association (P.L. 99-239)
Activity: Bikini Atoll Cleanup (Section 103(1))
Proposed Amendment: +$31,200,000 to establish a base camp on Eneu Island within Bikini Atoll in the Marshall Islands

Current program: In P.L. 99-239, the Congress determined and declared that is is the policy of the United States, to be supported by the full faith and credit of the United States, that because the United States, through its nuclear testing and other activities rendered Bikini Atoll unsafe for habitation by the people of Bikini, the United States will fulfill its responsibility for restoring Bikini Atoll to habitability. The Bikini Atoll Rehabilitation Committee, as published in its report of March 31, 1986, had determined that Eneu Island within Bikini Atoll may be safely resettled. Congress has provided $237,000 to develop a conceptual design for a base camp at Eneu Island preliminary to the eventual resettlement of the entire atoll. The concept design has been completed and the Government of the Marshall Islands is now seeking funds for construction of the Eneu base facilities.

Amount budgeted FY 1988: not contained in budget

Feasibility: The additional appropriation sought, in an amount based on the conceptual designs developed by the Energy Support Division of Holmes and Narver, will provide construction of the Eneu Base Facilities, Runway Extension, Shoreline Protection, and Rehabilitation of Existing Structures. In light of the firm commitment of the United States Government to the resettlement of Bikini, the establishment of the base camp will represent a significant step forward in fulfilling this obligation of high priority.

Capability: The cost summary is as follows:

Item	Cost
Eneu Base Facilities	$ 27,585,000
Runway Extension	2,345,700
Shoreline Protection	690,900
Rehabilitation of Existing Structures	584,200
TOTAL COST	$ 31,205,800

A breakdown of costs and preliminary architectural work have been submitted to the Congress. Construction of the base camp should be considered the first phase of the eventual resettlement of Bikini, with a total estimated cost of between $80 million and $150 million.

Outlay effect: FY 1988 - $31,200,000

Proposed by: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands

AGENCY/BUREAU: Territorial and International Affairs
APPROPRIATION: Compact of Free Association (P.L. 99-239)
ACTVITY: Technical Assistance (Section 105 (c))
PROPOSED AMENDMENT: $2.3 million to provide short-term expertise in a number of areas.

Current Program:	The Department of Interior provides technical assistance grants in order to improve the administrative capabilities of the Government. Funds are used to obtain technical services of other U.S. Government agencies or private sector contractors.
Amount Budgeted for FY 1988:	$2.2 million in the budget of OTIA; however, the amount of funding received by the Marshall Islands is uncertain and has been declining.
Feasibility:	PL 99-239 authorizes funding for the program on a non-reimbursable basis.
Capability:	Funding will be utilized to fund projects in the areas of privatization, environmental protection, planning and management, operation of the new sewer system, and administration of Majuro hospital.
Outlay effect:	The program will require annual appropriations to OTIA for a number of years until the Government has adequate management systems.
Proposed by:	Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands.

MARSHALL ISLANDS NITIJELA

March 31, 1986

The Honorable Amata Kabua, President
Republic of the Marshall Islands
Majuro, Marshall Islands 96960

Dear Mr. President:

Thank you for your letter of 18 March 1986 inviting my advice on requests and testimony for the U.S. Congress appropriation hearings in April and May of this year.

I too believe that the Marshall Islands requests will be more effective if the delegations are unified.

On this date I have submitted material to the Budget Office concerning the needs and priorities of my constituents.

Sincerely,

Evelyn Konou

JALUIT ATOLL DEVELOPMENT PLAN OUTLINE

PRIORITY	STATUS	DESCRIPTION
1.	Funded $1,700,000	DOCK The Jaluit dock was funded in FY 1985 and 1986 by the U.S. Congress. The total available is now about $1,700,000. Modifications of the Corps of Engineers design are now being considered. We trust and expect final design and construction will proceed without delay. The Marshalls Capital Improvement Projects Office is administering the money. The Jaluit Local Government Council has a approved a preliminary design consistent with the spirit of the Corps proposal on which the funding request was based. There may need to be a supplement to the funds already appropriated but we hope that will not be necessary, or can be handled in the Marshalls.
2.A	Request $500,000	POWER PLANT AND DISTRIBUTION DESIGN The existing power system is inadequate to meet the current demand from the high school, government programs, and private customers. In addition it is on only 18 hours per day. Upgrading the system will help tap the recognized fishing potential of the atoll, increase employment is fisheries, encourage tourism, and make possible other commercial development. High quality fresh fish is in high demand in nearby markets such as Majuro and Kwajalein.
2.B	Request $4,000,000	POWER PLANT CONSTRUCTION See above

2.C Request $1,000,000 ELECTRICAL DISTRIBUTION

The distribution system needs substantial improvement. Power must economically and reliably be delivered to customers as far away as Jaluit Island.

3. Request $100,000 ELEMENTARY SCHOOLS

Five two-room elementary schools are needed in Jaluit Atoll. Many students are not getting effective education because their school buildings are literally falling down, and not safe. (They were made of steel).

4. Request $290,000 LARGE LOADER FOR ROAD AND CLEARING WORK

The Jabor - Jaluit road is about 13 miles long. It is presently little more than a dirt track. A paved road will encourage the population to shift out of the Jabor urban area and encourage copra and other business to develop on the large amount of land available outside of Jabor. Pavement should be done when the airfield is paved.
The loader will also be used to clear land making it easer to increase copra production or develop alternative crops.
First year's operation and maintenance included.

5. Request $250,000 DISPENSARY RENOVATION

Jaluit has a resident doctor and a "super dispensary" built a number of years ago. A more modern, but smaller clinic with some secondary medical services and a dental office is needed.
(The Jaluit communities outside Jabor lack dispensaries in four cases. Two dispensaries are new. The national government is requesting dispensary funding, and the senators endorse the need).

6. Request $250,000 AIRPORT

The Jaluit airport is a long one by outer island standards but it is very narrow and the surface is not smooth. It is well-oriented and situated just south of Jabor. Widening the airfield, lengthening it to 5,000 feet, and preparing it for paving a use as a water catchment will have many benefits.

It will better link Jaluit Atoll with the entire Marshalls and stimulate tourism, fisheries, and other business. The Airline of the Marshalls Islands will be able to land its big plane on an improved runway and gain a big increase in revenue.

7. Request $2,500,000

WATER CATCHMENT & STORAGE

Jaluit people suffered a great deal in the 1983 drought. Paving the runway and building reservoirs will make sure that customers in Jabor -- from the (boarding) high school to individual consumers have water in the critical winter period. Economic development is limited by the water supply.

The cost estimate is based on a scaled-down similar to Majuro's airport water system.

8. Request $1,250,000

ROAD PAVING

See #4. Road paving should be done when the airfield is paved for water catchment.

9. Request $100,000

PLANNING

Jaluit needs technical assistance to set up a master plan which best expresses the aspirations of the people and maximizes the use of available resources. While all of the basic needs listed here have long been requested by the Jaluit people, there is a need for a physical and economic plan upon which business and government can base decisions.

10. Request $2,000,000

SEWER

It is highly important that Jabor not be scarred by "benjo rows" and a polluted lagoon. While a good Jabor - Jaluit road and other developments will help cut down on population growth at Jabor, it will not cease. The increasingly urban character of Jabor makes a sewer highly desirable.

11. Request $150,000

AIRPORT TERMINAL

Increased air traffic requires better conditions for passengers who now must stand out in the rain or sun and wait for a plane.

12. Request $500,000

IMIEJ CLEANUP AND ROAD

We would add to the plan $500,000 for ordnance removal and filling of craters on Imiej Island, and construction of a simple road from Imiej Island down to the Jabor Channel. Imiej was a Japanese seaplane base in WWII but it has not been properly cleaned up. There are some open areas, a seaplane ramp, and some water works which may still be useful for fisheries or coconut processing.

TOTAL: $14,590,000 FUNDED: $1,700,000 BALANCE: $12,890,000

Original Date: February 20, 1985.
Revised: March 4, 1985
March 31, 1986

The people of Jaluit are grateful that the U.S. Congress has provided approximately $1.7 million for a new dock at Jabor, Jaluit. We believe that the funds appropriated will provide a substantial dock which will serve a variety of ships for many years. The dock will facilitate many kinds of development and private investment.

Considering the emerging trends in overall Jaluit Atoll social, economic, and political activities, the growing population and the volume of government and private activity now and in the near future, Jaluit must be looked at as the third developing urban center in the Marshall Islands. Majuro and Kwajalein (Ebeye) have been the two main urban centers since the end of WWII.

With the passage of the Compact of Free Association and the $1.7 million the U.S. Congres has given to the Jaluit dock, we believe very strongly that the level of government and private business activities will increase tremendously within the next few years. The level of construction now scheduled to go to Jaluit starting this year will generate new and greater interest on the part of many business ventures from both within and without Jaluit and the Marshalls.

We are very pleased to note that the first phase of the Jaluit dock construction and planning are now underway. In connection with this we are also very pleased to note that the newly elected Jaluit Atoll Council has passed a resolution, their first resolution of their term, endorsing the Jaluit dock construction, and urging the Marshall Islands Cabinet and Marshall Islands Development Authority to see to it that the U.S. congressional funding for this dock is used to erect and construct a "strong and solid dock."

With respect to development in the private sector scheduled to go to Jaluit within this year and next, we are happy to report that Mobil Oil has submitted its proposal to build a bulk plant in Jaluit which will distribute diesel, gasoline, and kerosene in Jaluit and the South Marshalls. This proposal has been approved by the people of Jaluit, their traditional leaders, their Council, and just recently by the Marshall Islands Cabinet. We would like to point out that the Jaluit dock and the Mobil bulk plant are very compatible in the overall economic development of Jaluit Atoll as the new emerging urban center.

In other private development, the Bank of Guam has expressed interest in setting up a branch in Jabor, Jaluit. They, too, are encouraged with the emerging level of business and government activities which are beginning to take shape on Jaluit.

We are also happy to see that the post office is strongly interested in setting up a branch for Jabor. All these essential services scheduled to go to Jaluit are a recognition of the growing trend toward developing Jaluit as a real center for government and business alike.

It is also encouraging for us to learn that the largest privately owned business in the Marshalls, Robert Reimers Enterprises, Inc., has made known its intention and plan to establish a major commercial branch on Jabor as soon as the Jaluit dock is completed. This is local business providing local investment for Jaluit. It is significant to note that in our effort to develop Jaluit as a major center for business and government, we are not only seeking outside aid, but we equally seek aid from our own people and resources.

After consulting with the local government leaders and constituents, we believe the next priority for Jaluit is a reliable electical power system.

A new power system will encourage the redevelopment of the fishing industry which was very active in Japanese times. Ice machines and a freezer would allow fishermen to preserve their catch for shipment to Majuro, Kwajalein, and outside the Marshalls.

Hotels and other commercial enterprises will follow reliable power.

Existing facilities such as the Jaluit High School will greatly benefit from power. At this time Jabor has not had regular power for over six months.

The present generator is WWII vintage. Another used generator was sent to Jabor in February, 1986 but it is not operational and should be considered only a stopgap measure.

As youth we remember Majuro with very restricted power. Jabor, Jaluit's center, reminds us of Majuro 20 years ago. We believe that Jaluit development will take off as has Majuro's following electrical power.

Therefore in our revised plan we ask for $500,000 for design of a power plant and distribution system, $4,000,000 for the power plant, and $1,000,000 for distribution.

The final determination of funding requirements will be made after the design is done. However we have scaled down our request based on amounts spend on Majuro and Ebeye, and noting that Jaluit is the Marshalls' third most populous atoll.

The $4,000,000 estimate for the power plant is based on slow-speed engines and at least two megawatts capacity.

We would like to see a power plant which is efficient, reliable, and easy to maintain. We ask that funds be granted first to evaluate approaches such as the heavy fuel engines used on Majuro and Ebeye, and to do the architectural and engineering drawings.

As we mentioned earlier, Mobil Oil Micronesia, Inc. is actively working to set up a distribution facility on Jabor. This will relieve the power plant of the requirement for extensive storage tanks.

We are urging that Jaluit be developed for its own sake but we note that Jaluit projects will help relieve crowding on Majuro and Ebeye. We submit that with the help of the U.S. Congress and the Government of the Marshall Islands, Jaluit infrastructure development will not only help relieve population pressure now growing on Ebeye and Majuro, but a Jaluit urban community will also provide education at the secondary level, medical care, and commercial services for Jaluit and the neighboring South Marshalls.

We believe that the time is now to give these essential infrastructure projects very serious consideration; we believe they are in the right direction and given support they wil provide for a much-needed balanced community that will be enjoyed by a substantial portion of the Marhallese people.

While the Jaluit requests may appear large, we believe that the projects should have been completed under the Trusteeship. A gradual development over 40 years would have put Jaluit far ahead of its present economic condition.

Our revised priorities are outlined in the attached plan. We note the plan is only slightly revised from the one submitted by Chief Secretary Oscar deBrum last year in his presentations to U.S. Congressional committees.

REPUBLIC OF THE MARSHALL ISLANDS
CAPITAL IMPROVEMENT PROJECTS ADMINISTRATION
Post Office Box 1289
Majuro, Marshall Islands 96960

April 07, 1987 01.1.07

REPORT ON THE STATUS OF C.I.P. PROJECTS

CAFETORIUM: The Cafetorium was dedicated on December 19, 1986. The contractor has a few minor punch list items which are being completed. The building has been in use since school reconvened after the Christmas vacation.

MAJURO SEWER PHASE I: The first phase of the Majuro Sewer has been tested, all pumps have been started up and successfully operated under high flow conditions with the exception of the Salt Water System pumps, which will be tested during the third week of April. Hooking up of residences will begin in early May after final inspection scheduled for the third week of April.

MAJURO SEWER PHASE II: The second phase of the Majuro Sewer is approximately 50% complete with final completion due before March 18, 1988. Work is proceeding rapidly with the expectation that the actual completion may be three to four months early.

EBEYE SEWER PROJECT: The rehabilitation of the Ebeye Sewer is nearing completion. Change orders, covering the construction of two new salt water wells and pump stations which will provide the sewage carrying medium, are nearing completion. The newly refurbished system should be in operation during the month of July 1987.

SANITARY FACILITIES PROJECT: The $266,000 Grant for construction of both public and low income, private restrooms has been divided between Majuro and Ebeye. Ebeye has opened bids for the construction of $54,000 worth of privately controlled, multiple toilet facilities. There will be six, twelve unit buildings. Each "stall" will contain a toilet and lavatory, and will be under the keyed control of a designated family.

The remaining $212,000 will be used to construct two public restroom facilities and approximately 50 individual single family toilet units, in the DUD area. The project will be bid immediately after the Phase I Sewer Project has begun operation.

This project will provide much needed improvement in both areas and will be completed in time to be attached to the Phase II Sewer as it goes into operation.

JALUIT DOCK PROJECT: The Jaluit Dock is now in the design phase with completion estimated for early 1988. The dock, while slightly underfunded, will be able to handle those vessels presently used to transport goods in Micronesia. The dock is looked upon as the key to opening Jaluit to tourism, and other economic development.

LAURA WASTE WATER PROJECT: The Laura Wastewater Project is in the Feasibility Study Phase. A unique approach using variable grade sewers collecting primary treated, clarified waste is being considered as the leading type of system. This system has no mechanical equipment within the system itself and will require a low level of on going maintenance.

The system is needed to protect the Fresh Water lens which is the largest source of fresh water located on the Majuro Atoll. The project is now expected to be completed in middle to late 1988.

MAJURO WATER PROJECT: The greatest need for providing a base for the economic development of Majuro is the availability of a reliable, continious supply of clean, potable water.

The Majuro Water Project is now in the late stages of the Feasibility Study Phase. All sources of fresh as well as desalinated water are being examined in order to establish the plan for development of such a system. The project will set priorities for development of the systems. Designs will be developed for those parts of the plan for which funds are available. While completion of all phases of the project is not expected for three or four years, the investment of the 4.4 million grant into the water system will assist the Government in reaching its goal of providing a none interrupted supply of fresh water to its citizens and assist in providing the infrastructure which will attract commercial investment.

LAURA ELECTRIFICATION PROJECT: The Laura area on the west end of the Majuro Atoll has been waiting for electrical power since 1974, when a 4160 Volt distribution system was finished and a generator plant which had been planned was not funded by the Trust Territories Government.

Power was activated on December 19, 1986, opening the way for relieving the crowded conditions in the D-U-D area and providing power availability for economic development of Laura.

MAJURO DOCK REPAIR: The repair of the Majuro Dock is underway with the completion of the project scheduled for late May. The project consists of providing additional rubber fenders, a timber fendering system and the repair of the concrete curbing which lines the edge of the dock.

TO: Marshall Islands Development Authority
Republic of the Marshall Islands
Majuro, Marshall Islands

DATE: Feb. 20, 1985

ATTN: Chairman Oscar Debrum

PROJECT: College of Micronesia School of Nursing
Majuro, Marshall Islands

SUBJECT: Construction Budget Estimate

DESCRIPTION OF FACILITIES

Dormatory: A single building, probably two stories, with two person rooms clustered in 6 room groups, each group having a living/study room and bath unit. Facility would accomodate a total of 48 boarding students. A laundry room and 2 room apartment for an adult monitor are also included along with a cafeteria and kitchen facility to feed up to 70 persons.

24 Student Rooms @ 224 sq. feet ea.:	5,376	
4 Common rooms @ 360 sq. feet ea:	1,440	
4 Bathrooms @ 200 sf ea :	800	
Monitor's Apartment @ 400 sq. feet:	400	
Laundry @ 192 Sq. feet:	192	
Cafeteria for 70 @ 15 sf/person:	1,050	
Kitchen & Storage @ 100% of Cafeteria:	1,050	
Mechanical & Service:	250	
Circulation @ 15%:	1,583	
Total Square Feet Required:	12,141	RT. 12,500

Learning Facility: A single one story building with two classrooms, a multipurpose room, lab, library, administrative offices and toilets.

2 Classrooms @ 1000 sf ea :	2,000	
1 Multipurpose room @ 1000 sf:	1,000	
1 Library @ 640 sf:	640	
1 Laboratory @ 640 sf:	640	
Administration Offices @ 1,000:	1,000	
Toilets and service @240:	240	
Circulation @ 15%:	828	
Total Square Feet Required:	6,348	RT. 6,500

Staff Housing: Two single family houses for faculty with families and four duplexes for couples or single faculty.

2 Single Family Dwellings @ 1600 sf ea :	3,200	
4 Duplex Units @ 1900 ea :	7,600	
Total Square Feet Required:	10,800	10,800

COST ESTIMATE BREAKDOWN

ITEM	SQUARE FEET	COST FACTOR PSF	TOTAL
Dormatories	11,450	$95.00	1,087,750
Kitchen	1,050	125.00	131,250
Learning Facility	6,500	90.00	585,000
Single Family Units	3,000	65.00	195,000
Duplex Units	7,600	60.00	456,000
Site and Utility Work, Lump Sum Estm.			120,000
SUBTOTAL CONSTRUCTION:			$2,675,000
Construction Contingency @ 5%:			129,250
Architectural & Engineering @ 5%:			129,250
REPMAR Administration @ 4%:			107,000
Furniture and Equip., Lump Sum Estm.			110,000
TOTAL ESTIMATED CONSTRUCTION COST*:			$3,150,500

* Does not include land acquisition costs.

Submitted By: ____________________
W. Carletom Hawpe, Architect

AGENCY-BUREAU: Territorial and International Affairs

FISCAL YEAR: 1988

APPROPRIATION: Compact of Free Association (P.L. 99-239)

ACTIVITY: College of Micronesia Capital Improvement Project

PROPOSED AMENDMENT: $10,000,000 total for College of Micronesia capital improvement projects. Of this, $3,300,000 will be earmarked for the construction of permanent facilities for the COM School of Nursing in Majuro, Republic of the Marshall Islands, and the balance for the construction of permanent facilities for the Community College of Micronesia in Pohnpei, Federated States of

Micronesia, and the renovation of existing facilities at the Micronesia Occupational College in the Republic of Palau.

CURRENT PROGRAM: The fully accredited College of Micronesia is the largest provider of post-secondary education to the citizens of the three Micronesian entities formerly administered as the Trust Territory of the Pacific Islands. The multi-campus College offers two-year certificates and AA/AS degrees in Education, Special Education, Nursing, Liberal Arts, and a range of vocational subjects including construction trades, mechanical trades, agriculture, business skills, and homemaking. Total enrollment is approximately 650 full-time and 750 part-time students at any one time.

The School of Nursing in Majuro is presently located in temporary, inadequate facilities far from the hospital where practice training is conducted: the temporary facilities were prepared at the expense of the Government of the Marshall Islands. The Community College of Micronesia is presently occupying severely dilapidated, unsafe structures in Pohnpei which have always been considered to be of a temporary nature. The Micronesia Occupational College in Palau occupies facilities built in the early 1970's which are in immediate need of renovation.

AMOUNT BUDGETED FY 1988: Not contained in budget.

FEASIBILITY: To fulfill the demand for qualified nursing personnel in Micronesia, the Nursing School will be an comprehensive medical learning facility. It will have facilities to train sixty students with living accommodations for fifty students and ten school officials. The site designated and already leased for the Nursing School is directly adjacent to the new Majuro hospital which has the potential of becoming the most sophisticated and best equipped institution in the region. The School will operate in close coooperation with the hospital, utilizing its facilities, equipment, and staff for practical training programs. The new facilities will be of institutional quality construction with special emphasis on minimizing the harsh and corrosive effects of the tropical environment. No further appropriation beyond $3,300,000 is anticipated to be necessary in future years.

The Community College of Micronesia will be relocated to a new campus in the Palikar area of Pohnpei. Land has already been leased and plans drawn up. A further appropriation in the following fiscal year may be necessary to fully complete the facilities as planned.

Existing buildings of the Micronesia Occupational College in Palau will be renovated to restore them to good condition according to plans already prepared. No further appropriation is anticipated to be necessary in future years.

Appropriation of funds for these projects is recommended by the House Sub-Committee on Interior and Insular Affairs, as matters of still-unfinished business the Trust Territory Administration has long been regarded as being responsible for.

CAPABILITY: The full amount of funds will be appropriated to the Department of Interior and granted to the College of Micronesia Board of Regents. $3,300,000 of the total will be earmarked for the School of Nursing in Majuro which in anticipated to be enough to complete the planned construction. The remaining balance of the funds will be used for the relocation of the Community College of Micronesia campus in Pohnpei and the renovation of the Micronesia Occupational College campus in Palau.

OUTLAY EFFECT: $10,000,000 in FY 1988.

PROPOSED BY: Hon. Oscar deBrum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands

AGENCY-BUREAU: Territorial and International Affairs

FISCAL YEAR: 1988

APPROPRIATION: Compact of Free Association (P.L. 99-239)

ACTIVITY: College of Micronesia Operational Grant

PROPOSED AMENDMENT: $1,200,000 for basic operations, including salaries for instructional and support staff; operation and maintenance of boarding facilities; student services; and other on-going administrative costs at all campuses of the regional system. These include the Community College of Micronesia campus in Pohnpei, Federated States of Micronesia; the Micronesia Occupational College in the Republic of Palau; the College of Micronesia Nursing School in Majuro, Republic of the Marshall Islands; and Continuing Education Centers in Yap, Truk, and ~~Kosrae, FSM~~, and Majuro and Ebeye, Marshall Islands.

CURRENT PROGRAM: The fully accredited College of Micronesia is the largest provider of post-secondary education to the citizens of the three Micronesian entities formerly administered as the Trust Territory of the Pacific Islands. The multi-campus College offers two-year certificates and AA/AS degrees in Education, Special Education, Nursing, Liberal ~~Arts, and a range~~ of vocational subjects including construction trades, mechanical trades, agriculture, business skills, and homemaking. Total enrollment is approximately 650 full-time and 750 part-time students at any one time.

AMOUNT BUDGETED FY 1988: The Department of the Interior has submitted a budget request for fiscal year 1988 Trust Territory Government operations which includes a direct grant of $300,000 to the College of Micronesia for operational support. This represents an arbitrary determination of the Republic of Palau's share of the total system costs.

FEASIBILITY: The College has been supported largely by an annual Department of the Interior grant, $1,522,000 in FY 1987, and federal low income student financial aid funds which provided $2,237,000 in FY 1986. With the implementation of Compacts of Free Association with the Federated States of Micronesia and the Republic of the Marshall Islands, the DOI grant is set to be reduced by 80%, to a level determined to be the appropriate share of the Republic of Palau which continues to be administered as a Trust Territory. In addition to this cut back, financial aid is no longer being awarded to new students who are citizens of the Freely Associated States. The College faces the prospect of finding replacement funds for some 60% of its total operating budget in the new fiscal year or massively cutting levels of services. The provision of the DOI grant at previous levels on a transitional basis will avoid serious disruptions of college operations until the new Governments are able to replace the funds.

Pursuant to Section 224 of the Compact of Free Association, the Government of the Marshall Islands is seeking an extension of this grant assistance.

CAPABILITY: Funds appropriated to the Department of the Interior will be granted directly to the College of Micronesia for basic operations, including salaries for instructional and support staff; operation and maintenance of boarding facilities; student services; and other on-going administrative costs at all campuses of the regional system.

OUTLAY EFFECT: $1,200,000 in fiscal year 1988, in addition to the $300,000 requested by the Department of the Interior for Trust Territory Government operations.

PROPOSED BY: Hon. Oscar deBrum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands

Bureau/Office: Territorial and International Affairs
Fiscal Year: 1988
Appropriation: Compact of Free Association (P.L.99-239)
Activity: Medical Referral Debts (Sec.105 (d))
Proposed Amendment: +$4.0 million to retire all medical referral debts of the Marshall Islands prior to Sept.
ember 1,1985

Current Program: The Goverment of the Marshall Islands refers patients requiring special care along with their escorts to hospitals in Honolulu Hawaii for tertiary medical care. This has been a very costly program for which debts have been accumulated over the years.

Amount Budgeted FY 1988: Not contain in the Budget

Feasibility: When appropriated, this funding will retire debts to hospitals and doctors in Honolulu. The Government of the Marshall Islands is currently paying for medical referrals on a case by case basis. However, funding, which is appropriated by the Nitijela, is not adequate to meet the debts of previous years.

Cabibility: If approved, the entire appropriation of $4.0 million will be paid directly to hospitals and doctors in Honolulu, Hawaii to retire all medical referral debts incurred prior to September 1, 1985.

Outlay Effect: FY 1988-$4.0 million

Proposed by: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands

Bureau/Office: Territorial and Internationl Affairs
Fiscal Year: 1988
Appropriation: Compact of Free Association (P.L 99-239)
Activity: Micronesian War Claims (Authorized by P.L.95-134)
Proposed Amendment: +$24.1 million for war claim settlement to the Micronesians

Current Program: P.L. 95-134 authorized such sums as may be necessary to satisfy all adjudicated claims and final awards made by the Micronesia Claims Commission to date under Title I and Title II of the 1971 Micronesia Claims Act.

All Title II claims have been paid. However, there are still outstanding claims of $24,057,000 due under Title I. Payment of Title I claims, which were awarded by a federal commission established by law, has not taken place to date because of a stipulation that payment await a contribution by the government of Japan to the Trust Territory of the Pacific Islands, which contribution may be in goods and services, which has a value as determined by the Secretary of the Interior equivalent to not less than 50% of the total awards.

Although several accounts have indicated for some time that Japan had exceeded the $12,028,500 in economic assistance that it must provide to permit payment of Title I awards, it was not until last year that the Committee on Interior and Insular Affairs was officially notified by the Department of the Interior that Japan's assistance to Micronesian governments had exceeded $29 million.

Amount Budgeted FY 1988: Not Contained in budget

Feasibility: Japan has met the stipulation of P.L. 95-134 that it contribute not less than 50% of the total awards to the Trust Territory of the Pacific Islands. The $24,057,000 in Title I payments may be released in Fiscal Year 1988.

Cabability: Payment will be distributed to the citizens of Micronesia who suffered losses as a result of military activity in Micronesia in World War II.

Outlay Effects: FY 1988-$24,057,000

Proposed by: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands

Bureau/Office: Territorial and International Affairs
Fiscal Year: 1988
Appropriation: Compact of Free Association
(P.L.99-239, as amended)
Activity: Investment Development Fund (Section 111)
Proposed Amendment: +$4.0 million in addition to the $6.0 million which will be made available to the Marshall Islands for FY 1988.

Current Program: Section 111 (b) of P.L. 99-239 establishes an Investment Development Fund of $10.0 million for the Marshall Islands in partial compensation for the loss of certain tax and trade provisions that were contained in the Compact as originally negotiated. By the terms of P.L. 99-239, the first $6.0 million of the Fund will be made available to the Marshall Islands in the first full Fiscal Year after the effective date of the Compact (and a request for this amount is contained in the Administration budget submission for Fiscal Year 1988), while the remaining $4.0 million would become available in the third full Fiscal Year. Regrettably, the Compact came into effect a few days after the begining of Fiscal Year 1987 and, for this reason, the first payment for the Fund could not be released as scheduled in October 1986. In partial compensation for the unanticipated delay of one year in establishing the Fund, it is asked that this committee appropriate the additional $4.0 million required to fully capitalize the Fund at the beginning of the Fiscal Year 1988.

Amount Budgeted FY 1988: $6.0 million

Feasibility: It is important to have the Investment Development Fund fully capitalized in FY 1988 in order to implement a variety of developmental projects in the private sector. Among the Industrial development projects likely to be supported by the Fund are fishing operations and deep sea mining.

Cabability: The Investment Development Fund will be utilized by the Department of Communications to improve the quality and availability of communication hardwares. Several fishing firms have expressed interest on drawing on the Fund to buy fishing vessels. These are two examples of interested organizations seeking assistance from the Fund.

Outlay Effect: $10,000,000 in FY 1988.

Proposed By: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands

Bureau/Office: Territorial and International Affairs
Fiscal Year: 1988
Appropriation: Compact of Free Association (P.L.99-239)
Activity: Capitol Building
Proposed Amendment: +$7.4 million for the construction of the capitol building of the Marshall Islands.

Current Program: Several construction companies have presented plans and models for a capitol building for the Marshall Islands Officials have studied these proposals and have picked one that would most adequately meet the needs of the Government. The total estimated cost for such facility is $10.0 million However, the United States Government has provided the Government of the Marshall Islands only $2.6 million for the construc tion of the capitol. This amount is far too small to provide a capitol for the government with all its needs and requirements. The Government needs an additional amount of $7.4 million for this project.

Amount Budgeted FY 1988: Not contained in the budget

Feasibility: Capitol Construction can begin as soon as funding has been assured for the successful completion of the project. An additional $7.4 million will provide the assurance that an adequate facility can be constructed. It should be added that funding for the capitols for all the Micronesian entities has long been considered by the United States Government to be one of the unfinished obligations of the TTPI administration.

Cabability: Supplemental fund will be utilized to start and complete the construction of the capitol building for the Govern ment of the Marshall Islands.

Outlay Effects: For FY 1988, the project will require a total amount of $10.0 million

Proposed by: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands.

Bureau/Office: National Park Service
Fiscal Year: 1988
Appropriation: Compact of Free Association
(P.L. 99-239, as amended)
Activity: Inventory and Study of Natural, Historic, and Other Resources in Micronesia
Proposed Amendment: +$1,000,000 to conduct a comprehensive inventory and study of the most unique and significant natural, historical, cultural, and recreational resources of Palau, the Federated States of Micronesia, and the Marshall Islands

Current program: Under the Compact of Free Association, pursuant to Section 105(1) of P.L. 99-239, the Marshall Islands has been eligible to receive and has received modest levels of technical assistance from the Advisory Council on Historic Preservation, the Department of the Interior and other agencies providing assistance under the National Historic Preservation Act in the same manner and to the same extent as prior to the approval of the Compact.

Amount budgeted FY 1988: not contained in budget

Feasibility: Section 104(b) of P.L. 99-658 instructs the Secretary of the Interior, upon request from the Micronesian states, to undertake the inventory and study and submit a full report by November 14, 1988. Under the terms of the legislation, areas or sites considered to be unique and significant natural, historical, cultural, and recreational resources shall be described and evaluated with the objective of the preservation of their values and their careful use and appreciation by the public, along with a determination of their potential for attracting tourism. Alternative methodologies for such preservation and use shall be developed for each area or site (including continued assistance from the National Park Service); current or impending damage or threats to the resources of such areas or sites shall be identified and evaluated; and authorities needed to properly protect and allow for public use and appreciation shall be identified and discussed.

Capability: The requested appropriation would provide adequate funding for the inventory and survey to be completed in the Federated States of Micronesia, the Republic of Palau, and the Republic of the Marshall Islands. Given the deadline imposed by P.L. 99-658, the bulk of the survey whold have to be completed in FY 1988.

Outlay effect: FY 1988 - $1,000,000

Proposed by: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands

AGENCY/BUREAU: Territorial and International Affairs
APPROPRIATION: Compact of Free Association (P.L. 99-239)
ACTVITY: Indefinite Land Use Payments (Section 105(n))
ROPOSED AMENDMENT: An additional sum sufficent to pay for land used by the United States in the Marshall Islands and the Federated States of Micronesia

urrent Program: No funding is included in the Administration's budget request for the purpose of reimbursing landowners for used for public facilities by the Trust Territory Government.

nount Budgeted
r FY 1988: $0

asibility: Funding is authorized by Section 105(m) of P.L. 99-239.

pability: Funding will be utilized to settle all claims.

tlay effect: None.

oposed by: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands.

Bureau/Office: Territorial and International Affairs
Fiscal Year: 1988
Appropriation: Compact of Free Association (P.L. 99-239, as amended)
Activity: Enjebi Community Trust Fund (Section 103(k))
Proposed Amendment: +$5,000,000 to fully capitalize the trust fund for the Enjebi community of Enewetak Atoll in the Marshall Islands

Current program: In FY 1987, Congress provided ex gratia payments totaling $5.0 million in two separate appropriations to capitalize the "Enjebi Community Trust Fund" in accordance with Section 103(k) of P.L. 99-239. On July 21, 1986, the Governments of the United States and the Marshall Islands concluded an agreement for implementation of this provision, under which the United States Government agreed to monitor radiation conditions at Enjebi Island to determine if the island may be safely resettled and to endow a trust fund for the former residents of the island and their descendants to be used to resettle Enjebi Island or, in the eventuality that Enjebi Island is determined to be unsafe for the next twenty-five years, settle elsewhere. Enjebi Island in the northern portion of Enewetak Atoll was the site of many of the nuclear tests in the 1940's and 1950's. This area of the atoll has been considered to be unsafe for human habitation and, as a consequence, the villagers who were removed from Enjebi Island and their descendants have been forced to reside elsewhere. Most of them now live in the main village of Enewetak or at Ujelang Atoll. The FY 1987 United States Government Continuing Resolution Conference report states that additional funds will be appropriated in future years to bring the total United States contribution to the trust fund to $10.0 million.

Amount budgeted FY 1988: not contained in budget

Feasibility: The Government of the Marshall Islands has reviewed and approved the trust agreement that has been drawn up on behalf of the Enjebi community so that the community is now prepared to receive and invest the full amount of the trust fund. An appropriation of the remainder of the fund would fulfill the obligation of the United States to this island community. Full capitalization of the Enjebi Trust Fund should be considered a treaty obligation of the United States and, therefore, deserving of highest priority.

Capability: In its agreement with the Government of the Marshall Islands, the United States has agreed to submit a report on radiological and other conditions on Enjebi Island by July 20, 1987. The report will indicate when and if the people of Enjebi may safely resettle their village. Preliminary findings by BARC indicate that resettlement may be safely accomplished in the near future. Hence, funding for the resettlement may be required in FY 1988. The fund will be invested with a United States investment managers with substantial experience in the administration of trusts and with funds under management in excess of $250 million.

Outlay effect: FY 1988 - $5,000,000

Proposed by: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands

AGENCY/BUREAU: Territorial and International Affairs
APPROPRIATION: Compact of Free Association (P.L. 99-239)
ACTVITY: USDA Agricultural and Food Program (Section 103(h)(1)
PROPOSED AMENDMENT: $2.1 million for agricultural and special food programs for Bikini and Enewetak.

Current Program:	The Department of Agriculture operates a planting and agricultural maintenance program for the peoples of Bikini and Enewetak, including the operation of a motor sailer for Enewetak.
Amount Budgeted for FY 1988:	Not contained in budget
Feasibility:	Section 103(h)(1) of PL 99-239 authorizes funding for the USDA program for the first five years of the Compact. The program is needed until such time as the food trees are mature enough and adequately tested to produce safe food for the people.
Capability:	Funding will be utilize to continue to operate the MV Wetak, to provide adminstrative support, and to operate the Department of Agriculture's surplus commodity food programs for Bikini and Enewetak.

Outlay effect: The program will require annual appropriations for the next 5 years at an approximate level of $2.1 million per annum plus inflation adjustments.

Proposed by: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands.

AGENCY/BUREAU: Territorial and International Affairs
APPROPRIATION: Compact of Free Association (P.L. 99-239)
ACTVITY: DOE Radiological Health program (Scetion 103(h)(1)
PROPOSED AMENDMENT: $~~1.2~~ 2.0 million for radiological services at Rongelap and Utrik

Current Program: The Department of Energy currently provides special medical care and logistical support to the peoples of Rongelap and Utrik Atolls who were exposed to radioactive fallout resulting from the 1954 "Bravo" test. The Department operates a medical vessel which visits the atolls on a periodic basis to provide health care services.

Amount Budgeted for FY 1988: No funding is available to carry on this program.

easibility: P.L. 99-239 provides that, at the request of the Government of the Marshall Islands, the United States would continue to provide special medical care and logistical support to the residents of Rongelap and Utrik atolls who were exposed to radioactive fallout resulting from the 1954 "Bravo" test. We ask you to honor our request that the Department of Energy Radiological Health Care Program continue for the first eleven years of the Compact and, at this time, we request an appropriation of $1.2 million to provide these services for fiscal year 1988.

apability: Funding will be utilized to continue to operate the MV Liktanur, to pay salaries of medical personnel,and provide logistical support.

utlay effect: The program will require annual appropriations for the next 11 years at an approximate level of $1.2 million per annum plus inflation adjustments.

roposed by: Hon. Oscar de Brum, Chief Secretary, for and on behalf of the Republic of the Marshall Islands.

KWAJALEIN ATOLL DEVELOPMENT AUTHORITY
FUNDING REQUIREMENTS FOR FY 1988

The Kwajalein Atoll Development Authority (KADA) has continued during the year to formulate and implement the 15 year Kwajalein Atoll Development Plan for relieving the extremely difficult living conditions that have existed on Ebeye. The first draft of the plan is being revised to reflect current events and thinking.

Status of FY87 Projects

Even though funding requests to Congress last year again went unfulfilled, KADA has continued to use its available funding and other resources to implement badly needed capital improvements to address the problems on Ebeye. This year has seen several significant projects completed including, most notably, the Ebeye Power and Desalination Plant.

The power plant is the cornerstone to future progress on Ebeye and brings reliable power to the island for the first time in many years. The desalination plant is providing 160,000 gallons of fresh water daily, nearly a 400% increase over what was previously supplied by the water barge from Kwajalein. Residents are receiving nearly 20 gallons per capita per day. While this is still well under the U.S. standard, it is a significant improvement over the past. In fact, the hospital is reporting that the number of stomach and intestinal deseases are down noticibaly since February when the plant went on line.

A two story eight classroom school building for Ebeye Elementary School has been completed and will be turned over to the Department of Education to begin receiving students next term.

Temporary mooring buoys have been installed at the Ebeye Dock as a stop-gap emergency measure to allow ships to continue to use the badly damaged and deteriorating facility, at least until more permanent repairs can be made.

Surplused fire trucks have been secured through the cooperation of the Department of Forestry and U.S. Army, Kwajalein Atoll (USAKA).

Other projects currently in progress are:
- Construction of emergency public toilets
- Repairs to the badly deteriorated Public Safety Building
- Construction of the new Kwajalein Atoll Local Government (KALGov) Administraiton Building

Projects currently under design include:
- Construction of three units of staff housing for doctors;
- Paving of Ebeye roads including installation of sidewalks, curbs, and gutters
- Creating a sanitary landfill at the rat infested Ebeye dump
- Construction of a landfill for the future high school
- Development of a beach park adajacent to the power plant site (a project that is receiving considerable community participation).

In addition, KADA has just completed purchase of a large U.S. manufactured dragline dredge for use initially in the landfill projects and then on the construction of the all important causeway from Ebeye to the northern islands.

Significant progress has also been made in establishing local control of government services with the transfer of the Public Works Department from the Government of the Marshall islands (RMI) to the Kwajalein Atoll Local Government. Land negotiationas are nearing settlement as well so that the future development will be able to proceed in an orderly and controlled fashion.

Overcrowding

Significant progress is being made to bring Ebeye's infrastructure up to a point where it can be adequatley maintained and operated. However, the major underlying problem of overcrowding has yet to be tackled. Until this problem is dealt with Ebeye will remain a sociological and biological time bomb.

The key element in reducing overcrowding is the construction of the causeway project which will open up areas for population dispersment, economic development, and other major governmental priorities. For this reason, construction of the causeway and controlled development of the islands to the north still remain the top priority of the Development Authority.

Refinement of Planning Strategy

The Authority has, over the past year, struggled to bring its 15 year capital projects program and budget into a more realistic balance than previously acheived. This has been accomplished by:
1. Cutting back on the number and scope of projects,
2. Identifying projects and programs that will be income producing, and
3. Seeking other sources for assistance.

The plan still calls for the majority of the projects to occur in the first seven years of the planning period. This is necessary to optimize their effectiveness, since most are interdependent systems and services that must be developed simultaneously if they are to have a real and lasting impact on economic and social development. This approach requires an advancement of KADA compact payments from later years to the years when development will take place.

Development Strategy for FY 1988

The Authority has identified 19 projects which should be implemented in the next year at a total cost of 11.5 million. A major thrust of the program is toward development of the causeway and construction of basic infrastructure on Gugeegue Island. Projects which will continue to upgrade Ebeye's health, education, safety, and economic capabilities are included as well.

The Authority would also like to sell electricity to USAKA , a project which would increase the production of water at the Ebeye desalination plant and generate additional income for development.

To fund these projects in FY88, the Authority requires $6.66 million in addition to Compact payments, construction funds from Trust Territory and RMI programs, and other identified sources. In the past, members of KADA and RMI have requested Congress for additional funds to cover such shortfalls during the annual budget hearings. Notwithstanding expressions of support, no new appropriations were ever made for the Authority's work by Congress.

However, Congressional review of the Compact of Free Association and concern by key Congressmen with the need to assist the Authority in improving living standards on Ebeye, resulted in insertion of the following provision in the Compact:

> "(3) ASSISTANCE-The President is hereby authorized to make loans and grants to the Government of the Marshall Islands for the sole use of the Kwajalein Atoll Development Authority for the benefit of the Kwajalein landowners of amounts sought by such authority for development purposes, pursuant to a development plan for Kwajalein Atoll which such authority has adopted in accordance with applicable laws of the Marshall Islands. Such loans and grants shall be subject to such other terms and conditions as the President, in his discretion may determine appropriate and necessary."

This language provides for loans and grants from the United States to assist with the Authority's development work. Both the Authority and the Government of the Republic of the Marshall Islands believe that under the foregoing provisions of the Compact of Free Association, the United States Congress can assist the Kwajalein Atoll development in ways not requiring new congressional appropriations.

Instead, KADA would like to request that your committee provide special language in your committe report. This language would request OTIA to more actively pursue on KADA's behalf assistance in securing low or no interest loans from existing Federal Agencies programs which may be accessable to KADA under the Compact. These loans would be secured by future compact guaranteed KADA payments and in essence would accomplish the advancement of compact funding that the Authority requires.

The funds obtained in this way will be for specific infrastructural projects designed to open up the islands north of Ebeye for population disbursement and other high priority projects as identified. Without such assistance for FY88, and subsequent years as identified in the appendix attached to this briefing paper, the continuing objectives of the Development Authority Master Plan cannot be met and ongoing work will not proceed on schedule.

The Exhibits identify Master Plan projects, Compact of Free Association funding, loan and grant requirements, together with projections as to other funds which will impact upon development work.

Briefly summarized, the Authority seeks loans from appropriate Federal Agencies, through RMI, secured by future Compact payments, in the following amounts:

FY 1988	$6,660,000
FY 1989	5,321,000
FY 1990	4,902,000
FY 1991	5,583,000
FY 1992	2,560,000
FY 1993	2,060,000

A loan in the amount of $6,500,000 is also sought to fund the proposal to supply power to USAKA from the Ebeye Power Plant. This loan would be secured by payments from the military for the service, exclusive of the amount required for operations.

An appendix is attached with a list of KADA projects for this year along with other information. Those projects that will require financing through Federal Agencies are so indicated. We ask that the committee assist in securing this financing in whatever way it can.

EXHIBIT 2

ANNUAL INCOME REQUIREMENTS BY SOURCE (In $1,000's)

Year	'87	'88	'89	'90	'91	TOTALS
KADA	5,400	3,300	3,300	3,300	3,300	18,600
RMI	304	1,497	1,068	1,688	1,077	5,634
Fed Agency Loans	500	6,660	5,321	4,902	5,583	22,966
Other Loans	284	1,180	0	0	0	1,464
Reimbursables	0	710	1,497	1,388	1,485	5,080
TOTALS	6,488	13,347	11,186	11,278	11,445	53,744

Year	'92	'93	'94	'95	'96	TOTALS
KADA	3,300	3,300	3,300	3,300	3,300	16,500
RMI	1,742	432	610	640	795	4,219
Fed Agency Loans	2,560	2,060	0	0	0	4,620
Other Loans	0	0	0	0	0	0
Reimbursables	1,583	1,429	1,545	1,649	1,550	7,756
TOTALS	9,185	7,221	5,455	5,589	5,645	33,095

Year	'97	'98	'99	'00	'01	TOTALS
KADA	3,300	3,300	3,300	3,300	3,300	16,500
RMI	320	0	0	0	0	320
Fed Agency Loans	0	0	0	0	0	0
Other Loans	0	0	0	0	0	0
Reimbursables	1,700	1,873	1,991	2,239	2,488	10,291
TOTALS	5,320	5,173	5,291	5,539	5,788	27,111

KADA	51,600
RMI	10,173
FED AGENCY LOANS	27,586
OTHER LOANS	1,464
REIMBURSABLES	23,127

EXHIBIT 3

ANNUAL EXPENDITURES (in $1,000's)

Year	'87	'88	'89	'90	'91	Totals
Capital Projects	6,083	####	7,602	8,604	8,006	41,874
Devel. Loan Prgm.	0	500	750	750	750	2,750
Recurrent Costs	300	686	1,713	2,191	2,637	7,527
TOTALS	6,383	####	10,065	11,545	11,393	52,151

Year	'92	'93	'94	'95	'96	Totals
Capital Projects	6,182	3,144	1,220	1,280	1,580	13,406
Devel. Loan Prgm.	750	750	600	650	650	3,400
Recurrent Costs	3,195	3,479	3,686	3,621	3,325	17,306
TOTALS	10,127	7,373	5,506	5,551	5,555	34,112

Year	'97	'98	'99	'00	'01	Totals
Capital Projects	640	750	1,000	1,200	1,319	4,909
Devel. Loan Prgm.	750	1,500	1,500	1,500	1,500	6,750
Recurrent Costs	3,250	3,250	3,088	2,991	2,991	15,570
TOTALS	4,640	5,500	5,588	5,691	5,810	27,229

Capital Projects	60,189
Development Loans	12,900
Recurrent Costs	40,403
15 yr Totals	113,492

EXHIBIT 4

PROJECTED 15 YEAR CASH FLOW* (in $1,000's)

Year	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01
REVENUES	6,488	13,002	11,425	12,638	12,538	10,330	7,424	5,506	5,589	5,683	5,438	5,971	5,762	5,713	5,810
EXPENSES	6,433	12,763	10,065	11,545	11,393	10,127	7,373	5,506	5,551	5,565	4,640	5,500	5,588	5,691	5,810
CASH FLOW	**55**	**239**	**1,360**	**1,093**	**1,145**	**203**	**51**	**0**	**38**	**118**	**798**	**471**	**174**	**22**	**0**

*Assumes upfront loading of development funds through Fed. Agency loans with interest covered by grants.

FY 87 KADA Funding Proposal All $ amounts in 1000's

	Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
	CAPITAL PROJECTS COSTS							
01-87-01	KALGov Oper Loan			50				KALGov
02-87-02	Comm. Toilets Proj	5	55	5	55			
03-87-03	Pub Safty Bldg Rprs	3	27	3	27			
04-87-04	KALGov Offices	15	288	303				
05-87-05	Dock Repair	163		163				
06-87-06	Elec & Water Meters	6	600	606				User Fees
07-87-07	Power Plant Startup		700	700				User Fees
08-87-08	Fuel Farm/Pipeline	84	200			284	Shell	User Fees
09-87-09	Ebeye Road Paving	90	1200	1290				
10-87-10	Ebeye Sant Landfill	30	330	360				
11-87-11	Recreation Projects I	23	80	81	22			
12-87-12	Ebeye Northend Lndfill	29	200	229				
13-87-13	Ebeye/Gugee Transm	40	500	40		500	REA	User Fees
14-87-14	Ebeye Marina	35	165		200			
15-87-15	Causeway Redesign	160		160				
16-87-16	Causeway Drag Line		550	550				
17-87-17	Causeway I	5	500	505				
	RECURRENT COSTS							
	KADA Administration			300				
	Land Rental			0				
	Loan Repayments			0				
		688	5395					
	TOTAL EXPENSES:			5345	304	784		6433

REVENUES		
KADA Devel Funds	5400	
RMI Share	304	
Loans (REA/Shell)	784	
Loan Repayments	0	
Balance Forward	0	
TOTAL REVENUES:	6488	6488
BALANCE:		+ 55

KADA Funding Proposal

FY 88

		Project	Eng./ Admin	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim. By
		CAPITAL PROJECTS COSTS							
18	88- 01	Dock Repair	60	1500		400	1160	Fed Agency	
19	88- 02	Ebeye Road Paving	20	350	370				
20	88- 03	Causeway II	30	2500			2530	Fed Agency	
21	88- 04	Public Health Facility	25	164	112	75			
22	88- 05	Public Works Facility	40	300	340				
23	88- 06	High School I	90	970	530	530			
24	88- 07	Gugeegu Infrastr Eng	250				250	Fed Agency	
25	88- 08	Gugeegu Wtr Syst Upgrd	10	400			410	Fed Agency	
26	88- 09	Gugeegu Saltwtr Sys	10	450			460	Fed Agency	
27	88- 10	Gugeegu Sewer Sys	40	180	40	180			
28	88- 11	Gugeegu Electrical	10	250			260	Fed Agency	
29	88- 12	Gugeegu Roads	40	400			440	Fed Agency	
30	88- 13	Ebeye-Gugeegu Tele		750			750	REA	User Fees
31	88- 14	Ebeye Elementary II	35	500	535				
32	88- 15	Recreation Projects II	10	105	103	12			
33	88- 16	Fuel Farm/Pipeline	65	1115			1180	Shell	User Fees
34	88- 17	Ebeye Marina	15	285		300			
35	88- 18	Shelter Renovation	45	400	445				
36	88- 19	Warehouse Addition	15	150	165				
		RECURRENT COSTS							
		KADA Administration			300				
		Land Rentals			260				
		Loan Payments			51				
		Land Authority Admin			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			500				
			810	10769					
		TOTAL EXPENSES:			3826	1497	7440		12763

REVENUES		
KADA Devel Funds	3300	
RMI Share	1497	
Loan (US)	5510	
Loans(REA/Shell)	1930	
Reim. (Kalgov)	260	
Land/Hsg Rental Rev	450	
Balance Forward	55	
TOTAL REVENUES:	13002	13002
BALANCE:		+ 239

KADA Funding Proposal

FY 89

		Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
		CAPITAL PROJECTS COSTS							
37	89- 01	Causeway III	40	2500			2540	Fed Agency	
38	89- 02	Gugeegu Public Safty	3	80		83			
39	89- 03	Gugeegue Saltwater Sys	15	500			515	Fed Agency	
40	89- 04	Gugeegu Dispensary		5		5			
41	89- 05	Gugeegu Roads	15	656			671	Fed Agency	
42	89- 06	Gugeegu Electrical	15	250			265	Fed Agency	
43	89- 07	Ebeye-Gugeegu Tele		750			750	REA	User Fees
44	89- 08	High School II	70	750	410	410			
45	89- 09	Ebeye Elem. III	35	500	270	265			
46	89- 10	Recreation III	13	115	116	12			
47	89- 11	Public Safety Facility	32	160	192				
48	89- 12	Ebadon Airstrip Rehab	18	200		218			
49	89- 13	Water Storage Tank	30	300			330	Fed Agency	
50	89- 14	Ningi Infrastr Eng	250				250	Fed Agency	
51	89- 15	Intra Atoll Develop I		150	75	75			
52	89- 16	Sant Landfill II		150	150				
		RECURRENT COSTS							
		KADA Administration			300				
		Land Rentals			490				
		Loan Payments			848				
		Land Authority Admin.			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			250				
		Low Cost Hsg Loan Fund			250				
		Hsg Reheb Loan Fund			250				
		TOTAL EXPENSES:	536	7066	3676	1068	5321		10065

REVENUES		
KADA Devel Funds	3300	
RMI Share	1068	
Loan (REA)	750	
Loans (US)	4571	
Loans (Devel)	65	
Reim (Kalgov)	260	
Reim (Tanks)	597	
Land/Hsg Rental Rev	575	
Balance Forward	239	
TOTAL REVENUES:	11425	11425
BALANCE:		+ 1360

KADA Funding Proposal

FY 90

		Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Funds	Reim By
		CAPITAL PROJECTS COSTS							
53	90- 01	Causeway IV	40	2000			2040	Fed Agency	
54	90- 02	Gugeegu Elementary	60	940	500	500			
55	90- 03	Ningi/Cswy Is Roads	13	443			456	Fed Agency	
56	90- 04	Ningi/Cswy Is Electrica	16	546			562	Fed Agency	
57	90- 05	Ningi/Cswy Is Salt Wtr	50	825			875	Fed Agency	
58	90- 06	Ningi/Cswy Is Sewer	18	589			607	Fed Agency	
59	90- 07	Dock Design	362				362	Fed Agency	
60	90- 08	High School III	137	1815	976	976			
61	90- 09	Ebeye Elementary IV	30	370	200	200			
62	90- 10	Recreation IV	5	145	138	12			
63	90- 11	Intra Atoll Devel II		200	200				
		RECURRENT COSTS							
		KADA Administration			300				
		Land Rentals			490				
		Loan Payments			1326				
		Land Authority Admin.			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			250				
		Low Cost Hsg Loan Fund			250				
		Hsg Rehab Loan Fund			250				
		TOTAL EXPENSES:	731	7873	4955	1688	4902		11545

REVENUES		
KADA Devel Funds	3300	
RMI	1688	
Loans (US)	4902	
Loans(Devel)	163	
Reim.(Kalgov)	260	
Reim (Tanks,Tele)	390	
Land\Hsg Rental Rev	575	
Balance Forward	1360	
TOTAL REVENUES:	12638	12638
BALANCE:		+ 1093

FY 91 KADA Funding Proposal

		Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
		CAPITAL PROJECTS COSTS							
64	91- 01	Ebeye New Dock I	90	1500			1590	Fed Agency	
65	91- 02	Causeway V.	15	1500			1515	Fed Agency	
66	91- 03	Ningi/Cswy Salt Wtr	15	640			655	Fed Agency	
67	91- 04	Gugeegu/Ninji Sew Outf	70	895			965	Fed Agency	
68	91- 05	Ebeye/Ningi Water Line	40	818			858	Fed Agency	
69	91- 06	High School IV	120	1290	705	705			
70	91- 07	Ebeye Elem School IV	80	440	260	260			
71	91- 08	Recreation V	28	200	216	12			
72	91- 09	Intra Atoll Devel III		265	165	100			
		RECURRENT COSTS							
		KADA Administration			300				
		Land Rentals			490				
		Loan Payments			1772				
		Land Authority Admin.			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			250				
		Low Cost Hsg Loan Fund			250				
		Hsg Rehab Loan Fund			250				
			458	7548					
		TOTAL EXPENSES:			4733	1077	5583		11393

REVENUES		
KADA Devel Funds	3300	
RMI Share	1077	
Loans (US)	5583	
Loans (Devel)	260	
Reim (Kalgov)	260	
Reim (Tanks,Tele)	390	
Land\Hsg Rental Rev	575	
Balance Forward	1093	
TOTAL REVENUES:	12538	12538
BALANCE:		+ 1145

FY 92 KADA Funding Proposal

		Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
		CAPITAL PROJECTS COSTS							
73	92- 01	Ebeye Dock II	60	2500			2560	Fed Agency	
74	92- 03	Hospital I	650	1200	925	925			
75	92- 04	High School V	120	1290	705	705			
76	92- 05	Recreation VI	7	90	85	12			
77	92- 06	Intra Atoll Devel IV		265	165	100			
		RECURRENT COSTS							
		KADA Administration			300				
		Land Rentals			490				
		Loan Payments			2330				
		Land Authority Admin.			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			250				
		Low Cost Hsg Loan Fund			250				
		Hsg Rehab Loan Fund			250				
		TOTAL EXPENSES:	837	5345	5825	1742	2560		10127

REVENUES		
KADA Devel Funds	3300	
RMI Share	1742	
Loans (US)	2560	
Loans (Devel)	358	
Reim (KALGov)	260	
Reim (Tanks/Tele)	390	
Land/Hsg Rental Rev	575	
Balance Forward	1145	
TOTAL REVENUES:	10330	10330
BALANCE:		+ 203

FY 93 KADA Funding Proposal

		Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
		CAPITAL PROJECTS COSTS							
78	93- 01	Ebeye Dock III	60	2000			2060	Fed Agency	
79	93- 02	Hospital II	40	600	320	320			
80	93- 03	Recreation Projects VII	14	165	167	12			
81	93- 05	Intra Atoll Develop	15	250	165	100			
		RECURRENT COSTS							
		KADA Administration			300				
		Land Rentals			490				
		Loan Payments			2614				
		Land Authority Admin.			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			250				
		Low Cost Hsg Loan Fund			250				
		Hsg Rehab Loan Fund			250				
		TOTAL EXPENSES:	129	3015	4881	432	2060		7373

REVENUES		
KADA Devel Funcs	3300	
RMI Share	432	
Loan (US)	2060	
Loans (Devel)	464	
Reim (KALGov)	0	
Reim (Tanks/Tele)	390	
Land/Hsg Rental Rev	575	
Balance Forward	203	
TOTAL REVENUES:	7424	7424
BALANCE:		+ 51

FY 94 KADA Funding Proposal

		Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
		CAPITAL PROJECTS COSTS							
82	94- 01	Hospital III	40	640	340	340			
83	94- 02	Gugeegue Elementary I	40	500	270	270			
		RECURRENT COSTS							
		KADA Administration			250				
		Land Rentals			490				
		Loan Payments			2871				
		Land Authority Admin.			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			200				
		Low Cost Hsg Loan Fund			200				
		Hsg Rehab Loan Fund			200				
		TOTAL EXPENSES:	80	1140					
					4896	610			5506

REVENUES		
KADA Devel Funds	3300	
RMI Share	610	
Loans (Devel)	530	
Reim (KALGov)	0	
Reim (Tanks/Tele)	390	
Land/Hsg Rental Rev	575	
Balance Forward	51	
TOTAL REVENUES:	5506	5506
BALANCE:		0

FY 95 KADA Funding Proposal

		Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
		CAPITAL PROJECTS COSTS							
84	95- 01	Hospital IV	40	750	395	395			
85	95- 02	-Gugeegue Elementary II	40	450	245	245			
		RECURRENT COSTS							
		KADA Administration			150				
		Land Rentals			575				
		Loan Payments			2821				
		Land Authority Admin.			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			250				
		Low Cost Hsg Loan Fund			200				
		Hsg Rehab Loan Fund			200				
		TOTAL EXPENSES:	80	1200	4911	640	0		5551

REVENUES		
KADA Devel Funds	3300	
RMI Share	640	
Loans (Devel)	684	
Reim (KALGov)	0	
Reim (Tanks/Tele)	390	
Land/Hsg Rental Rev	575	
Balance Forward	0	
TOTAL REVENUES:	5589	5589
BALANCE:		+ 38

FY 96 KADA Funding Proposal

		Projects	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
		CAPITAL PROJECTS COSTS							
86	96- 01	Hospital V	40	1000	520	520			
87	96- 02	Gugeegue Elementary III	40	500	275	275			
		RECURRENT COSTS							
		KADA Administration			150				
		Land Rentals			490				
		Loan Payments			2610				
		Land Authority Admin.			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			250				
		Low Cost Hsg Loan Fund			200				
		Hsg Rehab Loan Fund			200				
		TOTAL EXPENSES:	80	1500	4770	795	0		5565

REVENUES		
KADA Devel Funds	3300	
RMI Share	795	
Loans (Devel)	812	
Reim (KALGov)	0	
Reim (Tele)	163	
Land/Hsg Rental Rev	575	
Balance Forward	38	
TOTAL REVENUES:	5683	5683
BALANCE:		+ 118

FY 97 KADA Funding Proposal

		Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
		CAPITAL PROJECTS COSTS							
88	97- 01	Gugeegue Elem. IV	40	600	320	320			
		RECURRENT COSTS							
		KADA Administration			75				
		Land Rentals			490				
		Loan Payments			2610				
		Land Authority Admin.			75				
		DEVELOP. LOAN PROGRAM							
		Econ Dev Loan Fund			250				
		Low Cost Hsg Loan Fund			250				
		Hsg Rehab Loan Fund			250				
		TOTAL EXPENSES:	40	600	4320	320	0		4640
		REVENUES							
		KADA Devel Funds	3300						
		RMI Share	320						
		Loans (Devel)	962						
		Reim (KALGov)	0						
		Reim (Tele)	163						
		Land/Hsg Rental Rev	575						
		Balance Forward	118						
		TOTAL REVENUES:	5438						5438
		BALANCE:							+ 798

FY 98 KADA Funding Proposal

		Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim. By
	CAPITAL PROJECTS COSTS							
	Projects							
89 98- 01	Miscl. Proj.		750	750				
	RECURRENT COSTS							
	KADA Administration			75				
	Land Rentals			490				
	Loan Payments			2610				
	Land Authority Admin.			75				
	DEVELOP. LOAN PROGRAM							
	Econ Dev Loan Fund			500				
	Low Cost Hsg Loan Fund			500				
	Hsg Rehab Loan Fund			500				
	TOTAL EXPENSES:	0	750	5500	0	0		5500

REVENUES							
KADA Devel Funds	3300						
RMI Share	0						
Loans (Devel)	1135						
Reim (KALGov)	0						
Reim (Tele)	163						
Land/Hsg Rental Rev	575						
Balance Forward	798						
TOTAL REVENUES:	5971						5971
BALANCE:							+ 471

FY 99 KADA Funding Proposal

Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
CAPITAL PROJECTS COSTS							
90 99- 01 Miscl. Proj.		1000	1000				
RECURRENT COSTS							
KADA Administration			75				
Land Rentals			490				
Loan Payments			2448				
Land Authority Admin.			75				
DEVELOP. LOAN PROGRAM							
Econ Dev Loan Fund			500				
Low Cost Hsg Loan Fund			500				
Hsg Rehab Loan Fund			500				
TOTAL EXPENSES:	0	1000	5588	0	0		5588
REVENUES							
KADA Devel Funds	3300						
RMI Share	0						
Loans (Devel)	1416						
Reim (KALGov)	0						
Land/Hsg Rental Rev	575						
Balance Forward	471						
TOTAL REVENUES:	5762						5762
BALANCE:							+ 174

FY 99 KADA Funding Proposal

	Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim By
	CAPITAL PROJECTS COSTS							
90 99- 01	Miscl. Proj.		1000	1000				
	RECURRENT COSTS							
	KADA Administration			75				
	Land Rentals			490				
	Loan Payments			2448				
	Land Authority Admin.			75				
	DEVELOP. LOAN PROGRAM							
	Econ Dev Loan Fund			500				
	Low Cost Hsg Loan Fund			500				
	Hsg Rehab Loan Fund			500				
	TOTAL EXPENSES:	0	1000	5588	0	0		5588

	REVENUES		
	KADA Devel Funds	3300	
	RMI Share	0	
	Loans (Devel)	1416	
	Reim (KALGov)	0	
	Land/Hsg Rental Rev	575	
	Balance Forward	471	
	TOTAL REVENUES:	5762	5762
	BALANCE:		+ 174

FY 00 KADA Funding Proposal

Project	Eng./ Admin.	Capital Cost	KADA Funded	RMI Funded	Loan Funded	Loan Source	Reim. By
CAPITAL PROJECTS COSTS							
91 00-01 Miscl. Proj.		1200	1200				
RECURRENT COSTS							
KADA Administration			75				
Land Rentals			490				
Loan Payments			2351				
Land Authority Admin.			75				
DEVELOP. LOAN PROGRAM							
Econ Dev Loan Fund			500				
Low Cost Hsg Loan Fund			500				
Hsg Rehab Loan Fund			500				
TOTAL EXPENSES:	0	1200	5691	0	0		5691

REVENUES		
KADA Devel Funds	3300	
RMI Share	0	
Loans (Devel)	1664	
Reim (KALGov)	0	
Land/Hsg Rental Rev	575	
Balance Forward	174	
TOTAL REVENUES:	5713	5713
BALANCE:		+ 22

PROJECT SUMMARYS
FY '88 Funding

Project: Dock Repair and Reconstruction Project

Brief Description: The Ebeye dock has received major damage during docking operations of the island's supply ships. Emergency repairs were done last year and included the installation of two buoys to temporarily replace the collapsed dolphins and thus allow ships to continue to use the dock. However additional damage is being sustained and the dock is continuing to deteriorate at a very rapid rate because the ships docking there are larger than what the structure was designed for.

The dock can be upgraded to accept the larger ships rather than being replaced entirely by installing two bulkheaded mooring stations in place of the mooring buoys on either side of the dock. The mooring stations would take the full force of the ships docking, relieving the strain on the dock structure itself. A reinforced concrete face would be required for the dock as well as a heavier duty fendering system. This option will allow the dock to remain a permanent facility although future expansion of the dock and container yard will still be required since this is one of the community's most critical facilities.

It is proposed that an addition to the dock be constructed of sheet piling and connecterd to the existing container yard to expand that facility. This new dock would be about 400 long, including the existing dock length which, being flanked by the sheet piling moorings, would still be usuable .

Estimated Costs:

Phase I Rehab Dock and construct mooring stations:	$1,500,000	
Engineering Phase I:	163,000	
CM Phase I:	60,000	
FY'88		$1,723,000
Phase II: Construct sheet pile dock and container yard:	$6,000,000	
Engineering Phase II:	362,000	
CM Phase II:	210,000	
		$6,572,000

Planning Construction Cost: $1,729,572

Funding Source: KADA Development Funds
RMI
Federal Agency loans.

Project: Ebeye Road Paving

Brief Description: Pave all Ebeye main longitudunal and transverse roads amounting to approximately 3 miles length. Grading to include improvement of drainage in problem areas. To include a 8 ft. one way traffic lane on perimeter road with 6 foot bicycle lane, 7 foot parking lane and 5 foot concrete sidewalk. Transverse roads to be for two way traffic.

Cost Summary:
$7 psy for base and preparation.
30 psy for paving
$37 psy for new roadwork

$\frac{3\text{ mi. X 5280 lf X 20'}}{9\text{sf/sy}}$ = 35,200sy X $37	1,302,000	
$\frac{3\text{ mi X 5280lf X 5' X 5'}}{27}$ = 1466cy X $170	248,000	
		$1,550,000
Engin. @ 5%:	80,000	
Admin. & Inspect. @2%	30,000	110,000

Planning Construction Cost: $1,660,000

Funding Source: KADA Development Funds

Project: Causeway Project

Brief Description: Construction of causeway connecting islands from Ebeye to Ninji to be accomplished in phases. Causeway to first link Ebeye to Ninji using armorstone on oceanside and fill on lagoon side. Sand berms would connect the remaining islands temporarily. Subsequent stages would provide for armorstoning along oceanside of all causeway portions and adding fill to the lagoon sides to increase protection there. Releif channels would also be constructed as required.

Cost Summary:

Engineering:		160,000	
Phase I ('87)	Dragline Purchase	550,000	
	Connect Ebeye to S. L (100,000 CY):	500,000	
			$1,050,000
Construction Management:			5,000
Phase II ('88)	Build 4 Relief Channels	400,000	
	Connect remaing islands with berm roadway -250,000cy @ $5cy:	1,250,000	
	Harden Ocean Side Ebeye to S. Loi-25,000 cy ArmorStone @ $26cy:	650,000	
	Road base 13,000cy @ $15cy:	200,000	
			$2,500,000
	Construction Mgmt:		30,000
Phase III ('89)	Additional Berms-100,000cy X $5cy	500,000	
	Complete Relief Channels (6):	600,000	
	Complete Hardening Ocean Side-Armor stone- 54,000cy X $26cy:	1,400,000	
			$2,500,000
	Construction Management		40,000
Phase IV ('90)	Remaining Road Base 50,000cy @ $15cy:	750,000	
	Pave 2.5 miles Roads		
	2.6 miles X 5280lf X 33,557 X $37 27	1,250,000	
			$2,000,000
	Construction Management		40,000
Phase V ('91)	Complete berms, lagoon side 166,000 yds	830,000	
	Pave 1.4 miles Roads		
	1.4 milesX5280lfX22'=18,069X37 9/sy	670,000	
			$1,500,000
	Construction Management:	15,000	

Planning Construction Cost: $9,940,000

Funding Source: Dredge and Engineering - KADA Development Funds.
Causeway construction- Federal Agency loans secured against development funds with grant to pay interest.

Project: Ebeye Public Health Facility

Brief Description: Renovate the south end of the hospital building to accomodate a public health center of approximately 3000sf in size.

Estimated Costs:

Construction:	$163,000
Engineering and CM:	25,000

Planning Construction Cost: $188,000

Funding Source: KADA-$112,000
RMI- $75,000

Project: Public Works Facility

Brief Description: Relocate Public Works Facility to a site adjacent to and north of the Ebeye sewage treatment plant. Facility to include an administration building, shop building, equipment storage garage and yard.

Cost Summary:

Administration: 2,600 sf X $65psf	169,000	
Furniture & Equip. 1 LS	35,000	
Shops Building 5,100 X $35psf	178,500	
Tools/Equip	115,000	
Equipment StorageGarage2000sf X $25psf	50,000	
Storage Yard 10,000 X $2 psf	20,000	$570,000
Design & Engineering @ 6%	35,000	
Administration & Inspect. @ 3%	15,000	50,000
Planning Construction Cost:		$620,000

Funding Source: KADA Development Funds

Project: High School

Brief Description: At present, Kwajalein Atoll does not have a public secondary school. Students wishing to receive a public secondary education must go to either the high school on Jaluit or on Majuro. To accommodate the basic needs of Kwajalein's own population and to fulfill a part of its role as a sub-center for the western islands, a high school facility is proposed sited at the north end of Ninji.

The facility would be designed to accommodate up to 480 students from Ebeye and the westernIslands. Phase I would provide eight classrooms, an office/storage facility, a dormitory for 100 students, and a cafetorium. Phase 2 (1988) will provide an additional eight classrooms, another dormitory, a gymnasium pavilion, a vocational technical center, and a library.

Estimated Project Costs:

Phase 1('88):	A&E, Const. Mgmt:		$ 90,000
	8 Classroom Building	540,000	
	Admin/Libs/Labs Building	430,000	
			970,000
Phase II('89):	A&E, Const. Mgmt:		70,000
	Dormatory		750,000
Phase III ('90):	A&E, Const. Mgmt:		35,000
	Voc Educ Bldg		540,000
Phase IV ('91):	A&E, Const. Mgmt		102,000
	Cafetorium		1,275,000
Phase V ('92):	A&E, Const. Mgmt		100,000
	8 Classroom Building	540,000	
	Dormatory	750,000	
			1,290,000
Phase VI ('93):	A&E, Const. Mgmt		60,000
	8 Classroom Building		540,000
Phase VII ('94):	A&E, Const. Mgmt		60,000
	Gymnasium		750,000
Planning Construction Cost: :			$6,632,000

Funding Source:
KADA 50%
RMI 50%

Project: Gugeegue Infrastructural Engineering

Brief Description: Engineering design for Gugeegue water system upgrade, Gugeegue Saltwater System,Gugeegue Sewer System,and Gugeegue Electrical projects.

Estimated Costs:	$250,000
Planning Construction Cost:	$250,000

Funding Source: Federal Agency loan against future development funds.

Project: Gugeegu Community Water System

Brief Description: Upgrade existing water strorage tanks. Water catchment off existing helicopter pad (future basketball/tennis courts) to be chlorinated, metered and stored. Distribution to be to commercial areas and school only. Possible additional catchment could be developed under softball field if necessary.

Cost Summary:

1) Tennis/ Basketyball Courts Catchment: 150 X 150 = 22,000sf X ..4 sf = 9,000 cu. ft. or 350 cu yds X $200/ cu. yd. conc. in place.	$ 70,000	
2) Piping, filter,chlorinator, meters:	35,000	
3) Piping- 8" pvc X 3,000 lf X $15/lf:	45,000	
gate valves, fire hydrants, etc.	20,000	
service connections, meters	10,000	
4) Rehab 2 existing 175,000 gal. conc. tanks 2 X 38.6 ft. dia. X 20 ft. high X 3.14 X $10 p	53,000	
		333,000
(6) Engineering		10,000
Contingency @ 20%		66,600
Planning Construction Cost:		$410,000

Funding Source: Federal Agency loan against future development funds.

Project: Gugeegu Saltwater System

Brief Description: Gravity feed from an elevated tank or salt water pressurization from a pumping station would provide flushing water for all housing, commercial, and public facilities on Gugeeue.

Cost Summary:

Elevated Tank (or pressurized system)	350,000	
Pumping Station	150,000	
Pipe: 12,000 lf PVC line X $15 plf	180,000	
Fittings	140,000	
Sub Total		820,000
20% Contingency		155,000
Planning Construction Cost:		$975,000

Funding Source: Federal Agency loan against future development funds.

Project: Gugeegue Residential Sewer System

Brief Description: Sewer system to be 5000 gal. septic tanks- four to six unit clusters for attached housing, and 2,000 gal. individual tanks for single dwellings. Systems to be so located as to be able to be connected to a common collection line in the future to feed a sewage treatment plant or be desposed of by deep ocean outfall.

Cost Summary:

30 systems 5000 gal. ea. $5,000	30 X $5,000 = $150,000	
20 indiv. syst.1000 gal.ea 1,500	20 X $1,500 = 30,000	
		180,000
Conting. 20%		220,000
Planning Construction Cost:		$220,000

Funding Source: EPA funds through RMI.

Project: Ebeye/Gugeegue Electrical Transmission Line

Brief Description: Provide approximately 3 miles of overhead electrical transmission line along the reef from Ebeye to Gugeegu. The distance from the new power plant to the north end of Gugeegu is approximately 5.8 miles. Such a line would be in place to serve Gugeegue and the intermediate islands once they begin to develop.

Estimated Costs:

Construction:	$500,000
Design and CM	40,000
Planning Construction Cost:	$540,000

Funding Source: Low interest loan from Administration (REA).

Project: Gugeegue Electrical Distribution

Brief Description: With the development of Gugeegue, there will be approximately 2 miles of secondary electrical lines required to service the residential and commercial areas (not counting drop lines).

Estimated Costs:

Construction-	$500,000
Const. Mgmt-	25,000
Planning Construction Cost:	$525,000

Funding Source: Federal Agency loan against future development funds.

Project: Gugeegu Road Construction

Brief Description: Construct and pave 2.2 miles of main and secondary roads at 22 ft. width on Gugeegu.

Cost Summary:	$ 7 psy for base and preparation. 30 psy for paving $37 psy for new roadwork		
	2.2 miles X 5280lf X 22' / 9sf/sy =28,395 X $37		$1,050,000
	Engin. @ 4%:	40,000	
	Admin. & Inspect. @2%	20,000	60,000
Planning Construction Cost:			$1,111,000

Funding Source: Federal Agency loan against future development funds.

Project: Ebeye-Gugeegue Telephone

Brief Description: A microwave link is already programmed from Ebeye to Ningi. As the northern islands development, local lines must be installed to accomodate the growth. The goals would be to provide telephone communication to all commercial and governmental facilities at a minimum and secondarily to all residences.

Estimated Costs:	$750,000	
Planning Construction Cost:		$750,000

Funding Source: REA low cost loan to be reimbursed from user fees.

Project: Ebeye Elementary School

Brief Description: Replace delapilated school buildings and expand to accomodate 800 students over a 4 year period. The facility will include, in addition to the new 8 classroom building completed by KADA in 1987 and an older 8 classroom building, 2 additional classroom buildings with 16 rooms, an administration and library building and a cafetorium. The site will be expanded into the area where the Public Works department curerently is once it is relocated. The new campus will have a play area flanked by buildings on either side.

Estimated Project Costs:			
Phase II ('88):	A&E, Const. Mgmt:	35,000	
	8 Classroom Bldg:	500,000	535,000
Phase III ('89):	A&E, Const. Mgmt:	35,000	
	8 Classroom Bldg.	500,000	535,000
Phase IV ('90):	A&E, Const. Mgmt.	30,000	
	Admin, Library:	370,000	400,000
Phase V ('91):	A&E, Const. Mgmt:	80,000	
	Cafetorium:	800,000	880,000
Planning Cost Estimate:			$2,350,000

Funding Source: KADA, RMI

Project: Recreation Facilities Projects

Brief Description: A Variety of recreational projects to be accomplished over a seven year period. These projects include 7 play courts complexes, 4 ballfields, 5 playgrounds, 1 youth recreational center, and 2 beach parks.
Estimated Costs:

Phase II ('88)	Youth Center expans.	50,000	
	Basketball Ct & Play-ground near Catholic Church	40,000	
	Convert C.G. Basketball to Tennis Ct. 15,000		
	Engin. & Admin.	10,000	
			115,000

Planning Cost Estimate: ('88 only) **$115,000**

Funding Source: KADA development funds: $105,000
RMI: $12,000

Project: Fuel Farm/Pipeline

Brief Description: Construction of a fuel storage facility consisting of two above ground steel tanks for diesel fuel and one for gasoline, all with containment berms. An underground pipeline will be constructed from the existing dock under the main road to the facility. To be located south of and adjacent to the new Ebeye Power Plant.

Estimated Costs:

Construction :	$1,315,000
Engineering	84,000
Construction Management	65,000

Planning Construction Cost: **$1,464,000**

Funding Source: Loan from Shell Oil repayed with surcharge on fuel sales.

Project: Ebeye Marina

Brief Description: Construct a 250 foot breakwater to create a protected mooring area for small boats on the north side of the Ebeye dock access road. Landfill the west side of the shoreline adjacent ot the marina for a fish market, and parking area. Provide refueling facility for small boats. Such a facility would provide the support necessary to encourage a small fishing industry.

Estimated Costs:

Armor Stone Groin:		$350,000
Boat Dock and fuel station:		150,000
Engineering and CM:		50,000
Total:	$500,000	

Planning Construction Cost: **$500,000**

Funding Source: RMI from Compact Tied Funds or Foriegn Aid.

Project: Shelter Renovation

Brief Description: Shelter building to be converted into a community center which would house a youth center, meeting hall, judicial chambers and courtroom, public safety, and social services including food services, aging program, handicapped program, etc. Other functions which might be housed in the center would be a public health clinic, museum, public library, handicraft coop.

Cost Summary:

1. Youth Center 2,500 sf- cost entered under recreation projects				
2. Community Meeting Hall	2.500 sf X $30		75,000	
3. Judical	2,000 sf X $30		70,000	
4. Social Services				
Food Services	2,500 sf			
Aging Progr.	1,200 sf			
Handicapped	1,200 sf			
Other	600 sf	5,500 sf X $30	165,000	
				310,000
5. Public Safety				
Police	2,300 sf			
Jail	1,000 sf			
Fire	2,000 sf	5,300 sf X $30	160,000	
6. Other	3,000 sf X $30		90,000	
				250,000
Design & Engin. @ 10%				56,000
Admin. & Inspect. @ 3%				21,000
Planning Construction Cost:				$637,000

Funding Source: KADA Development Funds

Project: Warehouse Addition

Brief Description: Add an 6000 sf addition to the KADA port warehouse for sublease to a stevedoring concern for use as a bonded warehouse and for destuffing containers.

Estimated Costs:	A&E, CM:	$15,000
	Construction:	150,000
Planning Construction Cost:		$165,000

Funding Source: KADA Development Funds

Project: PROPOSAL TO SELL POWER TO USAKA

The Ebeye Power and Desalination Plant dedicated in February, 1987 is cable of generating up to 5.2 megawatts of electricty to meet the demands of Ebeye's population. In addition, the waste heat from the two Enterprise low speed diesel engines, manufactured by TransAmerica DeLaval of Oakland, California is utilized by the Desalination Plant to produce up to 160,000 gallons of pure water each day.

The Desalination Plant can produce up to 300,000 gallons each day using existing equipment if additional electrical load can be created. The power plant was constructed to accomodate a third diesel engine, with foundation and main switchgear for such a unit being part of the present installation. A fourth engine cal also be accomodated.

The Authority, in an effort to increase generation demand, thus creating additional heat for water production, and to provide a source of revenue to fund future projects, has proposed to Department of Defense officials that the Ebeye power plant provide power from the Ebeye facility through a submerged cable to assist with non-critical electrical load requirements on Kwajalein.

Negotiations are ongoing at this time, and the technical aspects of the Authority Proposal have received favorable comment from Department of Defense officials. The major obstacle to successful conclusion of a supply agreement involves the per kilowatt cost of the power to be supplied. Major financial institutions and bondings companies such as E.F. Hutton, Merrill Lynch and Matthews Wright have all indicated a loan or bond issue for such a project would involve high interest costs, substantial service fees, and pledged future Compact development funding.

Approaches to private lending institutions such as Bank of Guam and Bank of Hawaii indicate similar requirements. The pledge of Compact funds would prevent implementation of the Master Plan for Kwajalein development as funds would be unavailable, and the quoted interest and service costs would raise the per kilowatt price for power beyond that which the military is willing to pay.

Should the United States Congress be willing to assist the Authority in seeking a loan the Development Authority, or the Republic of the Marshall Islands, the funds necessary to undertake the power project, at a negotiated rate of interest which will allow an acceptable per kilowatt cost to the military, this project can proceed. The payments from the military, exclusive of those required for operations, can be assigned to secure repayment of the loan. The requested loan is in the amount of $6,500,000. As this project involves economic development and is intended to generate revenues for the Authority, a low interest loan rather than an interest free loan, is sought.

This project will not only reduce costs associated with construction of power production facilities on Kwajalein Island, but will provide sufficient generating load and resulting waste heat to provide Ebeye residents with sufficient water production to adequately meet their needs. Revenues remaining after production costs and loan repayments can be used by the Authority for other development projects.

STATEMENT OF SENATOR JETON ANJAIN, SENATOR FOR THE PEOPLE OF RONGELAP:

Concerning: Rongelap request for financial assistance for Mejeto rain water catchment system and inter-island emergency transportation costs

The people of Rongelap who now reside on the island of Mejeto (Kwajalein atoll) are confronting two critical emergencies: They are running out of drinking water - due to the current drought and a lack of any catchment system, and they are not receiving needed food supplies - because of a collapse in the transportation system between the islands of Ebeye and Mejeto. Needed for both is a grant totalling not more than $98,500.00.

The island of Mejeto has been especially hard hit by the drought that currently plagues most of the Marshall Islands. This is because there is no rainwater catchment system on the island to capture what little rain does fall. The people are forced to drink contaminated well water. For unknown reasons, this water, although boiled before drinking,causes sickness among the people - the children in particular - when drunk. The water problem is now so severe that it promises to force our closing of the Mejeto school in the very near future.

There are fifty households on Mejeto. Thus, what is ultimately needed are approximately thirty 1,000 gallon aluminum water tanks - one for each household (with some smaller families sharing). At a cost of approximately $1,500 per tank, the cost would be $45,000 - with an additional $11,000 to cover the costs of transporting the tanks to Mejeto. However, we seek funding of much less than this - to meet only the most immediate needs of this crises. We seek sufficient funds to purchase twelve (12) 1,000 gallon aluminum water tanks - which would provide water catchment for the school, the dispensary, and the community center. This would alleviate our total dependence on the well water - particularly for the children and the ill. It would cost a total of $24,000.00 -- $18,000 to $20,000 for the tanks; an additional $4,000 to $5,000 to transport those tanks to Mejeto.

Upon relocating from Rongelap to Mejeto, the people had at their disposal the use of a community owned boat for emergencies and to make the day-long trip from Mejeto to Ebeye - where the field hospital is located and where food supplies can be purchased. Due to the intense use made of this boat following relocation, ejorren poaj eo - the boat broke down. We have not had the funds to repair it, and have been told that our boat is so old that if we were to repair it, it would only break down again.

Now we are totally dependent on the government's field trip ship - which visits Mejeto, bringing medicine, food and other needed supplies, only once every three months. Since we are totally dependent upon outside sources for our food and medical treatment, the lack of additional transportation is posing a great concern. Right now, for example, the field ship has been delayed over one week in leaving Majuro to bring food to Mejeto. Our people are dangerously close to starving - for I was called last night (April 27th) by our Mayor, who informed me that the people of Mejeto are now without food.

Thus, in addition to the water catchment system, we are in need of an alternative transportation system. We need a system that will allow us to transport food, supplies and people between Mejeto and Ebeye twice a month, at a minimum, for as long as we must live on Mejeto. We have thought about this for a long time, and believe that the only solution is to purchase a good used, medium-sized boat, that can make the Ebeye-Memeto journey in one half a day. Such a boat could be purchased for approxiamtely $50,000. To operate it for one year, making two trips per month, would cost approximately $24,000 to $25,000. Thus, we would ask this Committee to favorably consider a transportation assistance request, in addition to that for the water system, in the amount of $75,000.00.

Thank you very much for allowing the People of Rongelap to present this testimony.

COMPACT IMPLEMENTATION

Mr. deBrum. If I may just summarize in 2 minutes the contents of that testimony, Mr. Chairman and distinguished members of this committee: We bring to you the greeting from our president, His Excellency President Kabua, the people and the Government of the Marshall Islands, to thank you for the opportunity to offer testimony this morning.

I am pleased to report to this committee that the implementation of the Compact of Free Association is proceeding satisfactorily.

Mr. Chairman, the people of the Marshall Islands remain very grateful for the help you gave us in establishing this special relationship between our two nations. Thanks to your leadership and support, the Marshall Islands now stands as a sovereign and self-governing nation. In fact, today is Constitution Day in the Marshall Islands, Mr. Chairman, the 8th anniversary of our self-government.

I wish to assure you that my country is formally committed to its relationship with the United States. The stability and mutual commitment of our compact relationship greatly helped my government in planning our national development.

In my written statement and in my testimony today, Mr. Chairman, I do not intend to ask this committee for funding beyond the scope of the Compact of Free Association.

Mr. Chairman, we also thank you for authorizing the recent visit to the Marshall Islands by several members of your staff and a representative from Secretary Montoya's office. They are hard working staff people. They are true ambassadors of good will for the United States. They worked with us on several transitional difficulties that have arisen in the early days of our compact relationship.

In the past few days, they have also helped solve problems we had with the Prior Service Benefit Program and the program of technical assistance administered by OTIA.

We are pleased to report that Secretary Montoya has assured us of continuing assistance in this area.

We will also be working with you and your staff in obtaining coastal resource outlets for the Marshall Islands. We understand that you may be able to help us with the outlets through another subcommittee that you chair.

EDUCATION GRANTS

Mr. Chairman, for just a moment I wish to speak about transitional issues that are of concern to the Government of the Marshall Islands. Our troublesome problem is in the interruptions of the Federal education programs.

As a result of oversight by the administration, over $2 million has been withheld from education programs and services in my country. We seek the support of this committee in obtaining the release of this funding as we are entitled to it under the Compact of Free Association.

TRUST TERRITORY DEFICIT

We are also troubled by the large amount of TTPI debt, approximately $13 to $18 million, because a few months ago we were told that the U.S. Government might try to retire the debt by using money already obligated to the TTPI for the capital improvement projects.

This solution, Mr. Chairman, is not acceptable to us. The compact states very clearly that the Marshall Islands would not be liable for the debt of the TTPI and that previously appropriated CIP funds will be available for their intended use.

My government requests that funds be appropriated to retire the debt of the trust territory.

Mr. Chairman, it is in these two issues—the interruption of the Federal education programs and the possible loss of certain CIP projects—that are of greatest concern to my government. We ask you to help us resolve these problems.

MARSHALL ISLANDS BUDGET REQUESTS

We also seek appropriation for several other projects relating to the compact and unfinished business of the TTPI. Unfinished business of the TTPI include, as has been mentioned by representatives from other countries, construction of the facilities for the College of Micronesia, construction of capitol buildings, the payment of war claims for the Micronesians, and payment for the medical referral debt. These are all outlined in detail with justification in our statement offered for the record this morning.

We also seek funding for the various support projects that the United States Government has assured our people of the Marshall Islands in the Compact of Free Association. Most of these projects provide relief to the people of the northern area of the Marshall Islands who were affected by the United States' Nuclear Testing Program.

We are asking for the continuation of the DOE's Radiological Health Care Program for people of Rongelap and Utrik Islands, and the USDA Agricultural Food Program for the people of Bikini and Enewetak in compliance with section 103(h) of the Compact of Free Association.

Section 103(k) would capitalize the Enjebi community trust fund. We would like to ask this committee to further pursue that. I know that that has been one of the subjects that has been very close to your heart in support of the people of the affected atolls.

We also seek funding under section 103(i) to the extent that a base camp can be established on Eneu Island as a staging area for the eventual cleanup of the Bikini Atoll.

We are also seeking funding so that the National Park Service may undertake the inventory and study of natural and historical resources of the Micronesians as mandated by Public Law 99-658.

Mr. Chairman, attached to my statement you will find requests with justification in detail for developmental projects for the several communities in the Marshall Islands as was discussed with your staff when they visited the islands and officials from Jaluit, Kwajalein, and Rongelap.

In fact, we have scheduled a meeting at the suggestion of your committee to meet with several Federal agencies, and with the assistance of Secretary Montoya, I believe we have a schedule that will enable us to meet with Farmers Home Administration, Small Business Administration, Economic Development Administration, Rural Electrification, as well as EPA and Education, with members from DOD and Secretary Montoya's office.

We are grateful for the joint effort that made it possible for us to meet with these people.

Mr. Chairman, thank you for allowing me the opportunity to give testimony today. The people of the Marshall Islands are most grateful to you and to the United States Government for the care, concern, and kind attention you have given to the concern of my government. I hope that this committee will grant approval to the request of my government and I especially hope that you can assist us with the two transitional difficulties I have spoken of.

Also in the attached statement, Mr. Chairman, we have included some of the accomplishments that we were able to make—with your help again—on the financial integrity of my government, as well as in the area of privatization and decentralization.

Again, Mr. Chairman, thank you very much for this opportunity and I have a representative from both Kwajalein as well as Enewetak and Bikini here, and also Rongelap. Also, I have a good staff member and my background to answer any questions that you might wish to raise. Thank you.

Senator JOHNSTON. Thank you very much, Mr. deBrum. We are very pleased to have you here. I am very pleased to hear about the progress in the Marshalls, the businesses that are beginning to get started out there, the if not prosperity then the march in the direction of prosperity for the Marshalls. We know of your needs. Our staff has been well versed.

BIKINI HISTORIC SITE

As an aside and something that I am very interested in, I understand the Corps of Engineers in excavations at Bikini discovered some artifacts there from 2000 B.C. Is that correct?

Mr. DEBRUM. We were led to believe the same thing, yes, sir, although we have not received official information on that. I do believe that that information was unofficially passed to us.

Senator JOHNSTON. Well, we hope that those sites can be fully and properly excavated. I can see that they could be of great historic interest and also be a nice source of tourist income for the Marshalls.

ADDITIONAL COMMITTEE QUESTIONS

Mr. deBrum, most of my questions were answered in the recent staff visit there and we're going to try to respond as best we can. You know about what we're doing on the educational funding priorities and I can guarantee you we will follow through on that. There are two questions to which I will ask you to respond in writing for the record.

I can only say thank you very much for the good job you're doing out there and we appreciate your being here.

Mr. deBrum. Thank you, sir.

Senator Johnston. Thank you, Mr. DeBrum.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Question. First, beyond the education cutoff, trust territory deficit, and land use settlement funding, would you please indicate the priority of your requests.

Answer. The list of additional requests contained in the Chief Secretary's written statement is numbered in approximate priority order. Insofar as many of these projects are considered continuing obligations of the U.S. Government, it is difficult to differentiate a greater or lesser priority. The list of additional requests from the Chief Secretary's statement is reproduced below.

(1) Technical assistance, $2 million;

(2) War claims, $24.1 million;

(3) Department of Energy Radiological Health Care Program for Rongelap and Utrik, $2.45 million;

(4) USDA Agricultural and Food Programs for the peoples of Bikini and Enewetak, $2.1 million;

(5) Enjebi community trust fund, $5 million;

(6) Bikini Atoll cleanup, $38 million for the base camp on Eneu Island;

(7) Construction of facilities for the College of Micronesia, $10 million (including $3.3 million for relocation of the nursing school from the Northern Mariana Islands to the Marshall Islands);

(8) College of Micronesia operations, $1.2 million;

(9) Capitol building, $7.4 million;

(10) Medical referral debts, $4 million;

(11) Inventory and study of natural, historical, cultural, and recreational resources of Micronesia, $1 million; and

(12) Investment development fund, $4 million.

Question. Second, as the Department of the Interior anticipates assigning persons to the Freely Associated States, people with what kinds of experience would be most useful to your government?

Answer. The Interior-funded personnel would enable the Marshall Islands to benefit more fully from the several Federal programs available under the compact. The role of the Interior personnel would be to facilitate access of the Government of the Marshall Islands and the people of our nation to the programs and services of Federal agencies, pursuant to section 105(b)(3) of Public Law 99-239. It would be most helpful if the Department of the Interior were to recruit people familiar with the programs and services of particular agencies so that they could directly assist the Government of the Marshall Islands and members of the public in determining the extent of programs available, preparing project applications, providing advice regarding the implementation of the programs, and generally ensuring compliance with program regulations. An appropriate background for these positions might include several years of experience with State or local governments in administration of such projects.

We would ask that the Interior Department assign two individuals to Majuro on a full-time basis for 2-year contracts. One of these administrators should have expertise in elementary and secondary Federal education programs, while the second person assigned to the Marshall Islands should be knowledgeable in the programs of the Economic Development Administration. The education person would help the Government of the Marshall Islands to effectively utilize the large amounts of Federal education assistance that will be available in the months ahead. (Unduly high levels of assistance will become available to the Marshall Islands with the release of Federal education assistance inadvertently withheld by the United States Government during the second semester of the 1986–87 school year.) The assignment to the Marshall Islands of an official associated with the Economic Development Administration will serve to concentrate the attention of that agency on the developmental needs of the Marshall Islands; this assignment may be necessary if the Marshall Islands is to gain any benefit from the inclusion of the Economic Development Administration among the section 111 compensatory programs. The Economic Development Administration expert assigned to the Marshall Islands would also be in a position to assist the Government of the Marshall Islands in gaining access to the programs and services of the Department of Commerce relating to tourism and to marine resources development that are likewise assured by the section 111 compensatory package.

In addition to having these two people permanently stationed in Majuro, we would like individuals familiar with the programs and services of several other Federal agencies to be assigned to the Marshall Islands on a part-time basis. Individuals given this assignment would be able to service Palau, FSM, and the Marshall Islands on a rotating schedule, spending a few weeks or months at each location, sufficient to implement their programs. Among the Federal agencies for which my government seeks the part-time services of experienced administrators would be the Public Health Service, USDA food assistance programs, Farmers Home Administration, and Small Business Administration.

For planning purposes, we would expect that persons with these areas of expertise will be hired prior to August 1, 1987, inasmuch as Secretary Montoya testified to this committee that the positions would be filled within the next 3 months.

We would also ask that one of the individuals assigned full-time to Majuro—perhaps the person assisting with the Economic Development Administration programs—serve as a liaison between my government and the Office of Territorial and International Affairs for the administration of the technical assistance program.

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

STATEMENT OF RICHARD T. MONTOYA, ASSISTANT SECRETARY

ACCOMPANIED BY:

JANET J. MCCOY, HIGH COMMISSIONER, TRUST TERRITORY OF THE PACIFIC ISLANDS
ELOY INOS, DIRECTOR OF FINANCE AND ADMINISTRATION
CHARLES JORDAN, DIRECTOR OF CAPITAL IMPROVEMENT PROGRAMS

PRAISING MRS. MC COY

Senator JOHNSTON. Finally, we have the Office of Territorial and International Affairs with Richard T. Montoya, Assistant Secretary, and Janet J. McCoy, High Commissioner from the Trust Territory of the Pacific Islands.

Mrs. McCoy, I understand this could be the last time you are here and we want to thank you for your fine efforts in the role you played in bringing self-government to the people of the TTPI.

Mrs. MCCOY. Thank you very much. I have enjoyed every time I've been here and I am about to have the courage again. As I said last year, this will probably be my last appearance, but I really think that we've nailed it down now, sir.

Senator JOHNSTON. Mr. Secretary.

Mr. MONTOYA. Mr. Chairman, I thank you for this opportunity. In the interest of time, I understand that we're running a little bit tight, I would like to greatly abbreviate my comments and just get right to the point.

I would be remiss, Mr. Chairman, if I did not commend you and this committee for the foresight and the courage that you took in working with the territories. As an example, I cite Guam Power Authority that was debt-laden, in bankruptcy and about to go under. Your foresight in attaching strings to that covenant loan agreement put Guam Power Authority on a businesslike path that shows that this is the way that we need to operate to turn these territories around and make them more self-sufficient. GPA is prospering, ready to provide power to Navy, which is consistent with this committee's, and my wishes, to do away with the Navy power pool agreement. This would not have happened without the Senate's foresight and strings.

Today, you've received a lot of pressure to assist American Samoa. On this or any other approach that's being made for a bailout, I would encourage this committee to keep in mind our track record on Guam Power Authority and perhaps look at the possibility of attaching strings if the committee decides to provide additional operational funds to American Samoa.

My position, Mr. Chairman, is very clear. I believe that the best way to make these islands self-sufficient is through government efficiency, privatization, and diversifying the local tax base.

Federal appropriations alone are not the answer to the problems in the territories. They must expand their local revenue base.

Thank you very much.

PREPARED STATEMENTS

Senator JOHNSTON. Thank you. We will place both your statement and that of Mrs. McCoy in the record at this point.

[The statements follow:]

STATEMENT OF RICHARD T. MONTOYA

Mr. Chairman, and Members of the Subcommittee, I am pleased to appear before you today to discuss the President's fiscal year 1988 budget for Territorial and International Affairs.

HIGHLIGHTS

Before we discuss the budget figures, I would like to highlight this past year's significant developments in the territories and freely associated states.

One of the great strengths of our democracy is the rejuvenation it brings through the electoral process. At a time when the territories of Guam and the Virgin Islands are faced with critical fiscal and organizational problems, the electorate of each territory has seen fit to choose a new governor of great ability to lead.

Guam

Governor Joseph Ada is now Guam's chief executive. He has set an ambitious agenda that emphasizes reducing the size of Guam's government, along with its deficit. I have pledged technical assistance and my support as Governor Ada attacks these issues of overriding importance to Guam.

Virgin Islands

Governor Alexander Farrelly is the new chief executive for the Virgin Islands. Governor Farrelly has outlined an agenda which includes: reorganizing the Virgin Islands government, implementing systems to achieve accountability, cutting retirement system costs, reducing the 26 Virgin Islands holidays to correspond with the ten Federal holidays, putting water usage on a pay-as-you-go basis, eliminating costly labor arbitration and inequitable salary structures, promoting economic development, and modifying the tax system. These are courageous plans for putting the Virgin Islands house in order, and I have pledged technical assistance and my support for these endeavors.

American Samoa

In American Samoa, Governor A. P. Lutali remains committed to his program of economic diversification and privatization. The success of this program is critical to the future well-being of American Samoa, where the costs of government are exceeding the availability of local revenues. The economy must be expanded to generate additional revenues, and American Samoa government must reduce the size of its government to bring it more in line with the revenues available.

Northern Mariana Islands

On November 3, 1986, the Commonwealth of the Northern Mariana Islands (CNMI) officially became a part of the American political family. We welcome our fellow citizens from the Northern Mariana Islands.

As the CNMI embarks upon their new political status, we have an opportunity to identify and solve a number of endemic CNMI problems. The technical and financial assistance provided by the Federal government offers the CNMI a unique opportunity to succeed in its development.

Realizing its full potential is what we all had in mind when the representatives of the CNMI proposed, and we mutually agreed, on the basic principles of the NMI financial agreement, including strings on the Federal money; development based on a viable and challenging long-term plan; use of alternative financing techniques so that limited public funds would be leveraged and new wealth created; reductions in the size of government and expansion of the private sector so that the entire base of the economy would be broadened, rather than increasing the public employees' salaries at the expense of the taxpayers; and creation of new and better jobs for the local and permanent citizenry rather than for alien workers. All of these objectives are within reach with the ample Federal resources made available, including technical assistance to round out the capability of the CNMI in those endeavors which need special expertise.

Freely Associated States

Termination of the United Nations trusteeship agreement with regard to the Northern Mariana Islands, the Federated States of Micronesia, and the Republic of the Marshall Islands, has left the Trust Territory of the Pacific Islands a mere shadow of its former self. Only Palau remains under the trusteeship agreement.

The transitions for the Federated States and Marshalls have been exceedingly smooth. The quality of leadership is one of the reasons for this smooth transition, and it is particularly commendable in Marshall Islands President Amata Kabua and FSM President Tosiwo Nakayama. Although some administrative details are still being worked out, I am confident that the free association relationship will grow and prosper in the years ahead.

Government Efficiency -- Privatization -- Diversification

When confronted with challenges like the ones I have described, we often find opportunities. The three-legged stool, to which I have referred in the past -- efficiency in government, privatization, and economic diversification -- are all required for the territories to attain increased economic growth and prosperity.

We note that the message is getting through regarding efficiency in government. One of the first priorities of the new governors in the Virgin Islands and Guam is reorganization. They realize that government efficiency is probably the most important item in their arsenals for confronting their respective budget deficits.

Regarding privatization, the territories will be best served by turning to the private sector for those services that are not required to be provided by government.

In addition, realistic user fees must be adopted. Such fees are a progressive approach to the financing of government operations, because the cost of government services is borne proportionately by the users according to the extent of their use. User fees must be consistent with the costs of providing the service and free of political intrusion, or the government will have to accept the harsh reality that it is subsidizing this service with dwindling, precious resources, which neither the Federal government nor they can afford.

In the area of economic diversification, it is important not only that the local revenue base be expanded, but that equal attention be given to the creation of jobs for local residents rather than alien labor. The more highly skilled assembly jobs in the territory must be performed by local residents, without the territory incurring the staggering social and budgetary costs and complications associated with an alien-worker population. To this end, the Office of Territorial and International Affairs (OTIA) is giving high priority to addressing the void in job training. High on our list of desirable technical assistance programs are vocational education, apprenticeship training, and local labor requirements.

Another item of concern is that invitations for hotels and manufacturers to locate in a territory must be so structured that, at a minimum, they, and not the people of the territory, shoulder the burden of added infrastructure cost. Industrial development bonding for private purposes has proven to be a useful tool for an enterprise to shoulder the infrastructure burden, while arbitrage bonding which exceeds Treasury regulations has consistently been a method which I oppose. Additionally, the extent and conditions upon which tax holidays are granted must be carefully scrutinized and kept to an absolute minimum to ensure a proper revenue return to the territorial government.

Times have changed. Old solutions for territorial problems are often unrealistic. Increasing Federal appropriations to the territories is not the answer. New approaches, like those focusing on government efficiency, privatization, and economic diversification, must be found, and put in place. The President's budget is realistic, and reflects the confidence the Administration and I have in the ability of the territorial governors to identify innovative approaches, and to move aggressively to implement them.

GENERAL BUDGET COMMENTS

I would now like to move to a discussion of the fiscal year 1988 budget figures. The total OTIA request in current budget authority for fiscal year 1988 is $104,673,000, a decrease of $43,188,000 from the fiscal year 1987 appropriated level. However, two-thirds of the decrease comes from implementation of the Compact of Free Association, which eliminates the need for Trust Territory operational funds for constituent governments, except for Palau. I fully support the President's budget, and request similar support from the Congress in order that we may keep this government on the fiscal course agreed upon by the President and the Congress in meeting the Gramm-Rudman-Hollings deficit reduction targets.

Administration of Territories

We are requesting $61,933,000, for the United States territories in the Administration of Territories account. The Department believes that the development and maintenance of an adequate water supply and distribution system is the single most important factor for continued economic growth, and can provide important public health benefits for the territories. Though it has been a long time in coming, this view is being accepted by many of the territorial leaders. The simple truth is that Federal funds cannot adequately address all of the infrastructure needs of the territories. It is only through the imposition of realistic user fees that the cost of such infrastructure projects can most equitably be recovered. Unfortunately, in the case of the territories, user fees have been employed as a political expedient, with fees being lowered at the time of an upcoming election, rather than as a full cost recovery measure. If not restored, these fee reductions undermine the financial integrity of the affected utilities. This is why it is critically important that autonomous public untility commissions, which protect both the utility and the consumer, be allowed to function in each of the territories. We will continue to work with each of the territorial leaders toward a goal of including all utilties within this regulatory framework.

Guam

For Guam, we are requesting $1,100,000 to continue funding high priority water construction projects. Through the OTIA technical assistance program, Bureau of Reclamation personnel have been working with the Government of Guam to update the water master plan and to provide technical advice for improving operations and maintenance of the system. For fiscal year 1988, we propose water funding for a new reservoir at Mangilao. This project will improve storage facilities in southern Guam, where potable water is in short supply.

Virgin Islands

For the Virgin Islands, we are requesting $2,400,000. These funds will be used for site acquisition and construction of a three-million gallon reservoir at Sugar Estate on St. Thomas. The current poor financial situation of the Virgin Islands government precludes funding of these water system improvements without Federal assistance. The $2.4 million for the Sugar Estate reservoir is vitally important to the continued economic development of the Virgin Islands.

American Samoa

For American Samoa we are requesting $15,400,000 for operations and $1,950,000 for construction. The Department provides substantial operations funds to the territory each year. American Samoa budget assumptions submitted to us this year showed that privatization efforts, legislated revenue measures, and anticipated tax settlements would result in a significant increase in local government revenues. Much of this increase in local revenues was earmarked for operational activities and was the basis on which the decrease of Federal funds for operations to $15,400,000 was calculated. Whether or not these assumptions were accurate, it is clear that American Samoa must take the initiative to reduce the size of its government and increase local revenues. Government expenses are increasing at a rate that simply cannot be supported by local or Federal resources, and increased Federal grant funding is not the answer.

In the construction area, we are proposing funding for two projects. The first is for seawalls to protect the main thoroughfare on the island of Tutuila. This funding will allow the purchase of equipment and materials and initial construction of 10,000 linear feet of seawall to protect the most vulnerable areas. The fiscal year 1988 estimated cost of the seawalls is $1,500,000.

The second project is rehabilitation of the oil dock, which will require $450,000. The dock has suffered damage and weathering that make it structurally unsafe to support standard dock loads. Work would include removing old, unsafe concrete, sand blasting, and installing reinforcement above and below the deck. New curbing, bollards, and a fender system would also be installed.

Northern Mariana Islands

For the Commonwealth of the Northern Mariana Islands (CNMI), we are requesting $34,360,000. This amount represents a decrease of $984,000 from fiscal year 1987, and is consistent with full authorization of the payments schedule contained in section 10 of Public Law 99-396 and the Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands. This schedule reflects a commitment by the CNMI to the objectives of devoting more resources to capital development, and a lowering of Federal operations support by approximately $1 million annually. This is full faith and credit funding for the CNMI. The full faith and credit provision was conditioned on, and would not have been agreed to without, the inclusion of the performance standards.

I also wish to underline my concern that we are now nearly two years into the new seven-year funding period and have yet to see the seven-year, project-specific capital development plan, which is to include cost benefit analyses and alternative financing strategies. I wish to compliment the Congress for its support in also seeking this capital development plan from the CNMI. On a number of occasions we at OTIA stated our readiness to provide technical assistance funding for the plan. I cannot over emphasize the importance of expeditious action by the CNMI. Such action will allow full use of the Federal funds toward the stated economic objectives contained in the financial agreement we signed nearly two years ago.

I wish to underline the fact that Governor Tenorio and I enjoy a close working relationship, but there is still the lack of a total commitment by the CNMI government to implement the agreement.

Territorial Administration

For OTIA we are requesting $2,962,000. I would like to point out that during my tenure at OTIA, total administrative costs and employment have dropped significantly. This has occurred despite increasing costs being charged to agency budgets, such as the new Federal Employees Retirement System, the recent pay raise for Federal employees, and the executive and clerical salary increases approved this Spring. Practicing fiscal austerity in my office is essential in order to give credence to my emphasis on terrritorial government efficiency. Although functions have changed and many responsibilities have been shifted from the Trust Territory government in Saipan to OTIA, total administrative costs have decreased from more than $6.5 million in fiscal year 1984 to less than $4 million proposed in the fiscal year 1988 budget. During this period, we have still managed to fill critical positions, including the establishment of field representative offices in each of the U.S. territories.

Also included in the budget for Territorial Administration is $2,200,000 for technical assistance. These funds will allow the Department to fund the commitments I have affirmed here today to the Governors in support of efforts aimed at privatizing utilities and other appropriate government operations, eliminating deficits, increasing government efficiency, and diversifying the economy to expand local revenues.

Appropriation: Trust Territory of the Pacific Islands

Trust Territory Operations

The Compact of Free Association was implemented for the Republic of the Marshall Islands on October 21, 1986, and for the Federated States of Micronesia on November 3, 1986. The Trust Territory government is on schedule with its planned phase-down, and has jurisdiction now only with respect to the Republic of Palau. As I indicated earlier, the Department has successfully consolidated a number of Trust Territory functions, and transferred others to my office here in Washington. Trust Territory contract employment will be reduced to sixteen before the end of this fiscal year. Only five Federal positions will be needed in 1988 to oversee the needs of Palau and completion of remaining Trust Territory programs. General administration will require $1,000,000; the College of Micronesia, $300,000; and satellite communications, $133,000; for a total of $1,433,000 for Trust Territory operations.

Palau Operations

For the Republic of Palau operations, the request for fiscal year 1988 is $10,787,000. This will restore Palau operations funding to pre-Gramm-Rudman-Hollings 1986 levels, and reimburse

Palau for December 1986 plebiscite costs. Over the past several years, the Federal operations funding level has been relatively constant in order to emphasize to the government of Palau the need for them to increase government efficiency, implement privatization, and expand the local revenue base by diversifying their economy. I believe that President Lazarus Salii has exhibited the type of leadership that can accomplish these goals. Unfortunately, it appears that the Palau legislature holds on to the hope that the U.S. Congress will bail them out by providing additional funding to overcome their lack of fiscal restraint. This is inappropriate at a time when we are asking not only the territories, but everyone in the Federal family, to hold the line on spending. We strongly encourage this Subcommittee, Mr. Chairman, to consider report language which would convince Palau that a bail out will not be forthcoming.

Trust Territory Construction

The $2,600,000 for Trust Territory Construction is earmarked for completion of Federal funding for the Palau capitol. The United States is committed to providing $3,000,000 for construction of the Palau capitol. Earlier funding for architectural and engineering design was provided in the amount of $400,000.

Appropriation: Compact of Free Association

The fiscal year 1988 budget contains second-year funding for the governments of the freely associated states (FAS) of the Republic of the Marshall Islands (RMI) and the Federated States of Micronesia (FSM). The total Compact cost for fiscal year 1988 is estimated to be $162,270,000. Of this total, $134,350,000 is in full faith and credit funding under the permanent indefinite appropriation. We are requesting current authority for the remaining $27,920,000 in agreed Compact funding. This amount covers two categories: Federal Services Assistance, including guaranteed Federal services such as postal, weather and transportation services, disaster assistance, and college financial assistance for FAS students ($17,920,000); and Program Grant Assistance, including agreed assistance in the form of a block grant for education and health-care ($10,000,000).

Mr. Chairman, I would like to conclude by reiterating my support for the President's fiscal year 1988 budget. In addition, I want to stress that times have changed. Three years ago when I began urging efficiency in government, privatization, and economic diversification to expand the local revenue base, it was not fashionable to do so. Since then, however, these initiatives have met with increasing support and, where implemented, have succeeded.

In earlier appearances before the this Subcommittee, I anticipated the strain that the lack of increases in Federal funding would have in the territories. There is now agreement that government efficiency, privatization, and economic diversification can be successful when a total local commitment is made. I look for new and bold moves from the territories' leaders in these important areas, and I ask you for your support of the President's budget to accomplish this task.

STATEMENT OF JANET J. MCCOY

I am pleased to have this opportunity to appear, once again, before this committee to present the Trust Territory's appropriation request for fiscal year 1988. With me today are Eloy Inos, our Director of Finance and Administration, and Charles Jordan, our Director of Capital Improvement programs.

Today marks my sixth appearance before Congress and specifically before this committee for the purpose of presenting the Trust Territory budget, and I must say, Mr. Chairman, that I enjoyed very much working with you and your distinguished colleagues during that period. Your intimate knowledge of Micronesia and the needs of its peoples has greatly contributed to our success in carrying out our responsibilities under the Trusteeship Agreement. Your efforts and those of the other members of Congress have been instrumental in the recent birth of two new nations--The Federated States of Micronesia and the Republic of the Marshall Islands. The people of these nations are now enjoying the fruits of self-determination that they have long sought for many decades. The Republic of Palau, although still under the Trust Territory, will undoubtedly fulfill its dream of becoming a self-governing nation and its people will soon be enjoying the same political rights that the people of its two sister nations are so proud of.

The political evolution in Micronesia was a long and involved process and I ask you, Mr. Chairman, to join me in congratulating the Micronesian people on their recent achievement. I, too, had a part in that process and enjoyed every minute of it. When I took the oath of office in late 1981, I was charged with the mandate of fulfilling our trust responsibilities, including preparing the Micronesian governments to take charge of their own destiny. A rewarding five and one-half years of my life has been spent working closely with the Micronesian people and their leadership, and today, it gives me great pleasure to say that, with respect to the Federated States of Micronesia and the Republic of the Marshall Islands, our mission has been substantially accomplished. Our remaining mission concerns the Republic of Palau, which leads me into the germane issues of this hearing.

FY 1988 Budget

The Trust Territory budget request for fiscal year 1988 is $14,820,000. This budget represents our fiscal requirements for continuing our Trusteeship obligations for the administration of the Republic of Palau and to conclude our final commitments on certain capital improvement projects within the Freely Associated States (FAS). The Trust Territory's fiscal year 1988 budget is comprised of the following:

General Administration. The sum of $1.0 million is needed to continue certain Trust Territory Operations to administer the Republic of Palau. Included in this amount is the administrative funds needed to monitor and supervise remaining Capital Improvement Projects including those in the FAS. As of March 31, 1987, we have approximately 60 projects which are currently under design and/or construction.

College of Micronesia - $300,000. This item represents the Republic of Palau's contribution to the College of Micronesia. Contributions from the FAS are paid from current accounts included in the Compact budget.

Satellite Communication - $133,000. This item represents Palau's share of satellite communications lease charges for fiscal year 1988.

Republic of Palau Operations - $10,787,000. This amount will be provided as a grant to the Republic of Palau to supplement local revenues to provide operational support for basic governmental services and functions. The amount requested includes an increase of $703,000 over the fiscal year 1987 budget, which represents restoration of Palau's operating grant prior to reductions taken as a result of the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act. In addition, the increase reimburses Palau for fiscal year 1987 operations funds used to defray the cost of the December 1986 plebescite. This request, when added to Palau's fiscal year 1988 local revenues, will be adequate to support Palau's general government operations during fiscal year 1988.

Palau Capitol Relocation - $2,600,000. This amount, which is the remaining balance of a previous commitment, is requested to fund the United States' contribution and assistance in the capitol relocation costs for the Republic of Palau. The United States' contribution to the Capitol Relocation costs for the Federated States of Micronesia and the Republic of the Marshall Islands has already been appropriated.

When I appeared before this committee last year, I stated that that could very well be my last appearance before you as High Commissioner for the Trust Territory. I was optimistic, as I was when I thought the Trust Territory would be terminated two years after I was appointed High Commissioner. Here I am again, still as High Commissioner, but I dare say it one more time, that this will probably be my last appearance before you as High Commissioner.

With that, Mr. Chairman, I trust that you and your colleagues will support the Administration's requirements to fully discharge our remaining responsibilities. Working with you and the Congress, the Administration, and the Micronesian people has been very enjoyable and a rewarding experience for me. Thank you.

This, Mr. Chairman, completes my opening statement. My staff and I will be more than happy to answer any questions that you or other members of this committee may have concerning our fiscal year 1988 Appropriations request.

THANKS TO THE COMMITTEE

Senator JOHNSTON. Mrs. McCoy.

Mrs. McCOY. My statement has been entered for the record, sir, and again, because of time, I think it is complete.

We are coming to the end of the trust territory as we have always known it, and I would only say thank you to you and your committee for all of the support that you have given us over the years. It's been 5½ great years.

CAPITAL IMPROVEMENT PROJECTS

Senator JOHNSTON. Well, thank you very much.

Can you tell me, Mr. Secretary, what is a rough estimate of the reduction of funding for capital improvement projects in the territories?

Mr. MONTOYA. It's approximately $5 million, Mr. Chairman.

Senator JOHNSTON. Do you think they can absorb that much reduction?

Mr. MONTOYA. Yes, sir; I do. I would not have proposed the numbers that were in the President's budget if I didn't think that this was a realistic and workable budget that I fully support.

Now in order to obtain all their needs and desires, they are going to have to take different approaches. They are going to have to look at user fees for some of these utilities such as water and power.

I would strongly suggest, as I've been suggesting, that a dual rate structure be set up. For example, in Guam and the Northern Marianas it would ensure that the heavy users such as the Japanese hotels pay the right rates for the power, water, and solid waste disposal that creates a burden on that government. So through user fees——

Senator JOHNSTON. They are not paying those proper rates?

Mr. MONTOYA. Not in my opinion; no, sir.

Senator JOHNSTON. Do you believe that the territorial governments, particularly in Palau, Samoa, and Guam, have the local revenues available to develop their infrastructure needs?

Mr. MONTOYA. In the case of Palau, with the spendthrift course that they have taken, there isn't enough money in the Federal Treasury to help them out. That is a local problem they need to address. The example you cited where the Congress was very explicit in providing $10 million maximum for the hospital—the current hospital that's much smaller has only 36 patients. So when they talk about reducing the amount of lunches or meals that are provided, you're talking about 36 meals, probably a $93 reduction. At the same time they talk about an 8-hour per week free ride that they've made as a cost containment effort. Well, this isn't 8 hours that's been lost. That's been banked by all of these employees and at some future date that's going to come in as a windfall.

These are not true cost-saving measures. There's a hope in the OEK, the legislative body, that the Federal Government is going to bail them out. There is no way that we can do that. They came in with plans for the capitol. We told them, "You have $3 million, $2.6 million on the table right now," and they come in with a plan that costs $33 million.

Until they turn their mindset around and understand that they have to live within their means, there is not enough in local revenues that would support them.

In American Samoa, it's a very, very fragile economy. We are providing additional airstops through there with the recently announced Hawaiian Air hub service that's being created. In my opinion, within the next year to two, we will have a viable opportunity to increase tourism and, therefore, allow them to diversify their local revenue base to allow them to make their own way.

In Guam, you have a booming economy and, in my view, there is enough in the private sector to support the infrastructure.

PALAU TOURISM

Senator JOHNSTON. What is the status of Palau's tourist development program?

Mrs. MCCOY. It's one of their active programs and they certainly are having increased tourism down there. They have been trying to do something, even starting an airline of their own and having it run by JAL. Just what the status of that is, I do not know because it looked like a pretty far-flung dream at the time when they are faced with so many problems that need immediate attention as far as money matters are concerned.

They do have a pretty good tourism background. I think they will eventually do very well. There is interest on the part of many foreign investors to come in and build, but until the investors feel that it is a little bit more stable, as far as their own government is concerned, I think it will be just about where it is.

Senator JOHNSTON. Well, does the status of the compact have a great deal to do with the development of tourist trade there?

Mrs. MCCOY. Yes; I'm sure it will, sir, and I think that's what Palau is counting on. That's what they have been sort of budgeting on instead of looking at the real facts. But, undoubtedly, when the compact comes into place, there will be some increased building and they have an excellent resort there now. There is much talk about putting a couple of more hotels in. There is talk of enlarging the Nikko Hotel, which used to be owned by Continental and is now run by JAL.

Senator JOHNSTON. Well, it is certainly one of the beautiful places of the world. You would think they would have great success.

PALAU OPERATIONS

Would you describe, Mrs. McCoy, your view of the adequacy of the United States financial assistance to Palau's operations budget?

Mrs. MCCOY. Yes, sir; I think it is adequate. We're asking in this year for $10.7 million, which restores the Gramm-Rudman cut to them. Here again, I say it is prioritizing on their part which is so important. I'm sure they have tried to do some things. I know about the 32-hour work week. However, as the Assistant Secretary has pointed out, that is simply deferring 8 hours of pay for these people until somewhere down the stream.

The OEK has just passed their appropriation bill for 1987 and I was stunned and disappointed to have it cross my desk at $17,600,000. They know that the appropriation from us is $10.7 million and to come in with something like this—I regret to say that the executive branch alone under the breakout of their appropriation bill, is over $12 million. That's $2 million over the operations budget which we have given them.

OTIA STAFFING

Senator JOHNSTON. Mr. Secretary, we provided $250,000 to fund four positions in OTIA for supervision of compact implementation, particularly to coordinate and monitor the provided programs and activities.

What was actually done with that $250,000?

Mr. MONTOYA. It's not yet spent and I am comfortable with going on the record saying that I am totally committed to having those positions filled.

The High Commissioner still has a presence out there. She still has people that are following up on the CIP projects that are in the pipeline. We've got $51.4 million in CIP projects in the trust territory.

For me to have put people out in the islands when they were just getting their land legs, so to speak, I think would not have been a good use of money.

We are going to work with them. I intend that before the end of this fiscal year we will have people in the Freely Associated States so that, as Mrs. McCoy closes down her operation, we can take up the slack. It is not my intention to leave those positions vacant and I can assure you that that $250,000 will go to the purposes that it was so designated.

Senator JOHNSTON. When will those positions be filled?

Mr. MONTOYA. I would imagine that we will fill those within the next 3 months. We have to advertise them. I think that would take us 30 to

60 days. Then we have to get the folks out there and that will probably take us another 30 days. Mrs. McCoy's operation starts trimming down July 1 and by October 1 she is supposed to be pretty much closed down, with a very, very small skeleton staff. So I think that our timing on that will coincide nicely.

Senator JOHNSTON. Well, you should consult with the people out there before those are hired. I trust you will do that and I trust that this will be done and done promptly. It was clearly stated in our report and frankly we expect it to be done.

ADDITIONAL COMMITTEE QUESTIONS AND STATEMENT

We have some more questions in writing and an additional statement which we will submit. For today, I think that is sufficient.

Thank you very much and good luck to you, Mrs. McCoy.

Mrs. McCOY. Sir, could I make just one more addition here?

Senator JOHNSTON. Yes.

Mrs. McCOY. Every year we update the Enewetak report and we have a new one on Ebi and I would like to present them to the committee. They are excellent reports and I'm sure the staff will appreciate them thoroughly.

Senator JOHNSTON. Thank you very much.

Mrs. McCOY. Thank you.

[The information follows:]

ADDITIONAL COMMITTEE QUESTIONS

Trust Territory Deficit

Question: I understand that by the third quarter of fiscal year 1988 the Trust Territory deficit will come due with the result that the Freely Associated States will be held accountable for debts incurred by the United States Government. Earlier this year, Secretary of the Interior Hodel assured the authorizing Committee that this issue would be resolved. Why was the necessary funding not included in the budget?

Answer: The Department approved and submitted to OMB a budget amendment to cover the Trust Territory deficit during FY 1988. The Administration's position, as expressed by OMB, is that appropriations over the past several years have exceeded the U.S. commitment to build a capitol infrastructure by approximately $200 million. Therefore failure to fund this discretionary construction request does not place a financial hardship on the Micronesian entities.

Question: What will happen when this deficit comes due and funds are not available to pay outstanding bills?

Answer: The High Commissioner's Office is monitoring closely the Trust Territory's cash balance and will ensure that no disruption in normal operations will occur as a result of the deficit. Extended payment schedules for construction projects may have to be arranged if necessary. In any event, the Department will not allow any anti-deficiency violations.

Question: Has the Department consulted with the Department of Justice to determine what the legal position of the Department would be in this event? If not, would you please seek the Department of Justice's views on this issue and provide them to the Committee?

Answer: The Department's solicitor has been asked to establish legal positions on the various issues affecting the deficit and to coordinate a response to this question. We will provide legal opinions to the Committee as soon as they are available.

Question: When is the deficit shortfall expected to come due in fiscal year '88 and fiscal year '89, respectively?

Answer: The Department's conservative estimate of the anticipated time of the cash shortfall is the middle of the second quarter of FY 1988.

Indefinite Land Use

Question: I understand that settlements totalling $2.7 million dollars have been reached between the T.T. government and parties seeking payment for prior land use. Can the Committee expect a budget amendment or a budget request in the future to meet this U.S. Government obligation?

Answer: The Department will consider this issue during formulation of the FY 1989 budget.

Palau Capital Improvement

Question: Do you believe that Palau is in the need of a new hospital?

Answer: The Department believes that Palau is in need of a new hospital although this project is not a part of the capital improvement plan. Congress has appropriated $5 million and has committed to an additional $5 million appropriation once the plans and specifications for the new hospital are completed. The Department has held meetings with the Republic of Palau as well as the A&E contractor to discuss how the project will be built within the funds available. The A&E and Palau officials were informed that the total funds available will be $10 million. This includes A&E, construction management, inspection, and purchase of collateral equipment, as well as the construction budget. When Palau receives the additional $5 million in funding, the project may go forward on a phased basis.

Question: Do you believe that Palau is in need of a new jail?

Answer: Yes. The Department does believe that Palau is in need of a new jail. The current jail was designed to accommodate 21 inmates; however, the current Palau inmate population exceeds 55 individuals. The Department continues to maintain that capital funds provided by the Compact of Free Association are sufficient to construct this facility.

Question: Do you believe that roads and the bridge are in need of repairs.

Answer: The Department believes that the roads are in need of repair. The Navy OICC has conducted an in-depth investigation with regard to the extent of repairs necessary for the Palau roads. Since the roads were paved, starting in 1980, various contractors have constructed different segments of roadway in Palau. The underlying problem with the deterioration of the roads in Palau is the inherent nature of aggregate used for the surfacing of the roads. The Palau aggregate is wearing quicker than the tests had indicated it would wear.

The cost to repair the roads will be taken from residual FY 1985 funds that were appropriated for the Palau, Arakabesan Sewer System.

The repair work which needs to be performed on the Palau roads is: 1) double bituminous oil seals, 2) single oil seals, 3) slurry sand oil seals, and in some cases 4) additional road paving to thicken the existing wearing course.

With regard to the bridge, an investigation was conducted in the Summer of 1986 by the designer of the bridge. It indicates that the bridge itself is in sound condition. However, the bridge is in need of some basic maintenance such as sealing of concrete, cleaning of the box beam, etc.

With regard to the 4 1/2 inch depression at the mid-span, the architects and engineers recommend that the bridge be jacked apart and/or a concrete wearing course be applied to level the roadway. The A&E goes on to state within his report that the bridge is not in danger of collapsing and that with some very basic maintenance, the bridge will last for as many as fifty additional years.

The estimated costs of all the repairs are in excess of $250,000. These funds will be taken from residual CIP funds earmarked for the Republic of Palau from projects which have been completed in prior years.

OTIA Travel

Question: The FY 1988 budget request for the Office of Territorial and International Affairs includes $490,000 for travel costs (p. TIA-54 of the justification), the same amount as the FY 1987 level. This amounts to approximately $10,000 for each of the 50 employees under your jurisdiction, assuming that a number of your employees do not travel at all, the amount of travel cost for those employees who do travel must be considerably higher than $10,000 per person. Is this a valid assumption? How much of the amount is necessary to enable the Office of Territorial and International Affairs to fulfill its statutorily mandate and regulation responsibilities? And how much of the amount is for discretionary staff travel?

Answer: The $490,000 budget request includes all travel associated with territorial programs, including technical assistance. Included in the estimate are funds used to pay for federal employees from other Departments and Agencies to travel to the territories and provide technical assistance in their areas of expertise. Approximately $175,000 of the $490,000 travel budget will be used to pay travel costs of OTIA employees. Approximately 90% of this amount is for travel directly related to program issues and responsibilities. Travel costs not directly associated with program responsibilities would include employee training and providing escorts to Congressional or other official delegations.

The Department would also like to point out that in its report accompanying the FY 1984 appropriation bill (HR 3363), the Committee directed that territorial "desk officers spend not less than 2 months of each fiscal year in the areas to which they are assigned." OTIA supports the intent of this directive and has made every effort to comply. However, the costs of travel to the territories is expensive. Full compliance with this directive would cost an estimated minimum of $15,000 for each desk officer. Other functions of the office that require extensive travel include budget formulation, grants administration, technical assistance administration and participation in special projects (e.g. NMI Covenant 902 negotiations, Compact implementation; and Trust Territory transition).

Question: What is the average cost and duration of a staff trip?

Answer: A typical trip would last approximately 10 days and cost between $2,500 and $3,000.

Question: How many staff trips will be made in FY 1987? In FY 1988?

Answer: Staff from the Office of Territorial and International Affairs will make approximately 70 trips in FY 1987 and the same number again in FY 1988.

Question: Who approves of such travel? How is this area monitored adequately?

Answer: Each trip is approved first by the individual's supervisor, then by the budget officer. Final approval is given by the Assistant Secretary or Deputy Assistant Secretary. After a travel authorization leaves the Office of Territorial and International Affairs, it is signed once more and certified for funds availability by the Chief, Division of Fiscal Services, Office of the Secretary. Thus, each travel authorization goes through a 4-step approval process. OTIA receives monthly reports listing all travel obligations incurred to date and comparison of those obligations against quarterly and annual financial plans.

OTIA also has the capability to retrieve that information at anytime during the month, if necessary.

Question: What measures does the office currently employ to monitor staff travel to assure there are no abuses in this area?

Answer: The primary control is in the approval process which requires a signature from the Assistant Secretary and from a financial (certifying) officer external to the office before a trip is authorized. The office also uses other internal controls to prevent travel abuses. Travel planning is facilitated by a requirement that each employee submit a list of planned trips at the beginning of each month that covers the upcoming 3-month period. This provides for a continuous updating of travel plans, helps to avoid unnecessary or duplicative travel, and helps reduce costs through advance scheduling and taking advantage of discount fare programs. In addition, the Assistant Secretary will not approve any trip unless he receives, with the travel authorization, a detailed itinerary. The itinerary must list not only arrival and departure information, but must also include a complete listing of all planned meetings for each day of travel. Travel is not approved unless there is a full schedule of work for each day in travel status. While it cannot be required, OTIA traveling staff generally work weekends as well as weekdays and often work a 12 to 15-hour day. Staff consider this necessary because of the long distances and high costs of transportation which make it important to conclude as much business as possible while they are on island.

Question: How much in additional travel costs are carried in the budget for FY 1987 and FY 1988 under the object classification entitled "Other Services". Is this amount increasing, and if so, for what reasons?

Answer: There are no travel costs carried in the budget for FY 1987 and FY 1988 under the object classification entitled "other services."

Question: What can be done to cut back on the number and duration of staff and other personnel travel costs?

Answer: One way to reduce travel costs is through the internal controls and monitoring activities that we have described. Another way in which we have already reduced travel is by stationing field representatives in the territories and by improving our communications links with the islands. For example, we have now installed facsimile machines in all territories, that have almost entirely replaced the slower and more cumbersome cable communications of the past. We still believe that our relationships with the governments require a substantial amount of travel in order to gain the kind of knowledge and understanding that is essential to an effective program.

Question: Please provide for the Committee files (consistent with the provisions of the Privacy Act) for each of the past three years, the name, dates, destination, purpose, duration, and cost of each trip funded by the Office of Territorial and International Affairs.

Answer: This information is being compiled and will be provided to the Committee for its files. It will require approximately 4 weeks of effort to prepare this report.

Education Grants

Question: The Fiscal Year 1986 supplemental appropriations bill provided that the Freely Associated States "shall have funding available... until alternative funding is available under the Compact". Yet, even though alternative education funding is not available until July 1, 1987 current funding was terminated on December 31, 1986. Why was funding cut off in violation of the law and what have you done to correct this situation, for example have you sent a letter to OMB requesting that this action be reversed?

Answer: The Administration does not believe there was any violation of the law. We do not consider the funding that becomes available on July 1, 1987, to be alternative funding. Rather, it is a continuation of Federal grants that have been provided to the Micronesian entitles throughout the duration of the Trusteeship. The alternative funding was in the form of block grant assistance and other special funds provided under new authority in the Compact.

The A/S TIA did send a letter to OMB, expressing concern over the potential management and political problems that would result from OMB's decision to withhold apportionments of remaining FY 1986 funds. We have recently been informed by OMB that the FY 1986 funds will be released to the Department of Education so that they can be granted to the governments.

Bikini Rehabilitation

Question: The fiscal year 1987 appropriations report directed the Departments of Energy and the Interior to develop a funding plan for the continuing activities of Lawrence Livermore Lab and the Bikini Atoll Rehabilitation Committee, and to submit it to the Appropriations Committees by February 1, 1987. The Department of Energy has submitted both a report and a fiscal year 1988 budget request for these programs. Interior has submitted a report but did not include funding for support of these activities in its FY 88 budget. Why was this funding not included, and what is the status of the budget amendment which I understand has been requested?

Answer: The Bikini Atoll Rehabilitation Committee (BARC) traditionally has presented its funding needs directly to Congress to which it answers. The FY 1988 needs of BARC were not known to the Department until after the budget was submitted. The Department requested an FY 1988 budget amendment of $1.0 million to cover its share of BARC's operating expenses, but this request has not been approved by OMB. The Department is also considering the possibility of reprogramming other funds to help complete the BARC project.

White Collar Crime in the CNMI

Question: Are you aware of recent news accounts of allegations that CNMI government employees are demanding payments from citizens to perform their employment responsibilities?

Answer: There have been newspaper accounts of allegations made by one firm in particular concerning demands made by government officials.

Question: What can you tell us about these allegations? For example, at this point are federal enforcement authorities involved or is it being handled by local authorities?

Answer: The U.S. Attorney has opened an office in Saipan. Also, the local Legislature has expressed an interest in conducting hearings on the issue.

Insular Disasters

Question: There have been two major storms in the Pacific this year: "Kim" in the Mariana Islands and "Tusi" in the Manua Islands of American Samoa. Typically, how many times per year has FEMA declared a disaster within the insular areas?

Answer: During the past decade, Presidential declarations of natural disasters were issued as follows:

April 27, 1987 - Marshall Islands
February 2, 1987 - Federated States of Micronesia
January 24, 1987 - American Samoa
December 10, 1986 - Northern Mariana Islands
June 3, 1986 - Trust Territory of the Pacific Islands
December 10, 1984 - Virgin Islands
April 30, 1983 - Virgin Islands
September 29, 1981 - Trust Territory of the Pacific Islands
March 24, 1981 - American Samoa
November 27, 1980 - Northern Mariana Islands
December 1, 1979 - Trust Territory of the Pacific Islands
November 9, 1979 - American Samoa
September 16, 1979 - Virgin Islands
February 12, 1979 - Trust Territory of the Pacific Islands
August 18, 1978 - Northern Mariana Islands

Question: Currently FEMA only funds reconstruction of facilities with "like" facilities. Considering the frequency of storms in the insular areas doesn't it make sense to reconstruct damaged facilities to be hardened against future storms, for example replacing wooden power poles with concrete poles or underground lines?

Answer: Concrete poles certainly withstand much stronger winds than do wooden poles. However, the cost differential is great and is generally beyond the capabilities of the local governments. There is no legal restriction against the local government using FEMA funds in conjunction with other available funds to harden the poles.

Question: Has the Department ever requested funding for such hardening?

Answer: There has been only one example of funding being provided for power pole hardening. A total of $9.8 million was made available to the Government of Guam for replacement of portions of the power distribution system with concrete poles following a major typhoon.

Question: In addition, I understand that FEMA has been slow to react to disasters in the more remote insular areas. Have you and FEMA ever discussed ways to improve their response time?

Answer: FEMA acknowledges that the insular areas are unique and cannot be dealt with by their traditional mainland approaches to disaster assistance. Distances, lack of transportation and limited communications inhibit FEMA's ability to respond in a timely fashion. We are working with FEMA, the Department of Defense and the Corps of Engineers to identify ways in which we can shorten the response time and provide for the essential needs of the affected people during the interim period prior to a Presidential declaration.

Question: Has there been any serious consideration given to the idea of establishing a Disaster Contingency Fund to help resolve these two problems of facilities hardening and emergency response?

Answer: There have been discussions among the Department of the Interior, the Federal Emergency Management Agency, the Department of Defense and other agencies about establishing some type of emergency fund to provide immediate assistance prior to formal declaration of a disaster. Thus far, we are looking within existing authorities and appropriations for a source of funds. We have not given serious consideration to establishing a special fund for facilities hardening.

Question: On December 10, 1986, Senator McClure and I sent a letter requesting estimates of the cost of hardening essential infrastructure in the Northern Mariana Islands against future storms. Your February 18th response contained no specific estimates but indicated that they would be provided when available. When can the Committee expect those estimates or do you concur in the estimates provided by the CNMI government?

Answer: We have no reason or basis to dispute the estimates provided by the CNMI government.

CNMI Capital Development Plan

Question: What is the status of the development of the CNMI's seven-year plan?

Answer: We signed an agreement in February 1987 to provide the CNMI government with $200,000 in technical assistance to develop a plan. The agreement calls for completion of the plan within one year from the date of signing. However, we have done everything possible to urge the CNMI to complete a basic plan much earlier. We believe an interim plan can be completed within three months and have given the CNMI government a listing of criteria that must be addressed to meet our minimum requirements for the plan.

Question: Because of the nature of such a comprehensive plan it obviously will have to be somewhat dynamic. Have you and the CNMI agreed on how to move forward on immediate agreed-upon needs and avoid delays while other less critical aspects of this plan are fleshed-out?

Answer: Yes, we have provided the CNMI with minimum standards that must be met in order to determine and move forward on immediate needs. We have met with representatives of the CNMI government and Congressional staff to go over these standards and to suggest a course of action that would allow critical needs to be identified and financed within three months.

Question: Can you assure the Committee of your commitment to cooperate with the CNMI on this plan and to get the capital projects anticipated under the plan initiated as soon as possible?

Answer: We are absolutely committed to a course of positive action and cooperation. However, we will not compromise the basic principles that were negotiated with the CNMI government and included in the agreement singed by both governments in July 1985.

Technical Assistance

Question: Do requests for technical assistance from territorial governments receive the same treatment as those initiated within your office?

Answer: The majority of requests for technical assistance originate from the territorial governments. Each year TIA sends a letter to each of the governments requesting a priority listing of their technical assistance needs for the coming fiscal year. TIA does set target areas which receive priority consideration for each year. In the past two years we have encouraged projects within the areas of government efficiency, economic development, privatization, and vocational education. Projects identified during the operating fiscal year are considered on an individual basis and need.

Question: You often cite the availability of technical assistance as an opportunity for the territories to improve government efficiency. Yet, the Administration has consistently attempted to cut the program, Why?

Answer: The territories should measurably improve their government efficiency and operations from year to year, with assistance from our program. Subsequently, the amount of funding should gradually reduce.

Question: I understand that the turn-around time on technical assistance requests originating in the territories is so long that some territorial officials have simply given up applying. Could you please give us an idea of the number of T.A. requests which have been delayed over 3 months without a response, or which have been denied?

Answer: Most technical assistance projects are reviewed and analyzed within 30 days of receipt from the government. In a few cases some projects were delayed over 90 days due to our efforts to locate additional or supplemental funds or resources from other sources to carry out the project.

We have initiated a project tracking system to keep the local governments fully informed regarding the review status of their requests. To the best of our knowledge only two requests from the Marshall Islands were delayed over 90 days. Those projects were approved in November 1987.

Projects which have been denied are projects which we found could or should be funded from local government sources. In cases where projects were denied a letter of explanation was provided to the individual government.

Question: You have opposed appropriations for the St. Croix Airport by arguing that other financing options are available. Would you please explain these other options and what assistance you have provided to the Virgin Islands to take advantage of these options?

Answer: The Federal Aviation Administration has an account with available funds which would allow for the expansion of existing facilities at established airports. This fund is available to all airports in the United States and proceeds are distributed on a competitive basis.

The government of the Virgin Islands has been a recipient of these funds in the past for improvements and the extension of the St. Thomas airport.

Question: Do you believe that you can get Governor Farrelly the personnel and technical assistance he is seeking for his financial management improvement program from existing programs and without specific appropriations?

Answer: Yes. We have requested and received assistance from various Federal Agencies. We believe the current funding level from the participating agencies will be sufficient to procure personnel and assistance to complete the Financial

Management Improvement Program. In addition, Governor Farrelly and I are in complete accord regarding the action plan to improve the financial management system.

OTIA Administration

Question: Would you please provide the Committee with a list of raises given to staff members over the past year exclusive of required cost-of-living raises. Also indicate the salary levels to which these raises apply.

Answer: The information follows:

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

Raises to staff members for period May, 1986 to May, 1987

Name	From		To		Eff. Date
PROMOTIONS					
Mary Baltimore	GS-5/2	$14870	GS-6/1	$16040	8/17/86
Nancy Boone	GM-14	$45911	GM-15	$52262	9/14/86
Robert Bunn	GM-13	$38852	GM-14	$44430	8/3/86
Annette Hill	GS-5/4	$15830	GS-6/3	$17110	9/14/86
Edgar Johnson	GS-12/6	$37997	GS-13/3	$41309	2/15/87
Tomas Perez	GS-12/7	$37943	GS-13/3	$40105	8/31/86
Janice Shimizu	GS-4/3	$13720	GS-5/2	$14870	10/26/86
Betsy Stainback	GS-4/1	$16723	GS-5/10	$18710	7/20/86
Mary Zatarga	GS-13/2	$40018	GS-14/1	$45763	3/15/77
WITHIN GRADE INCREASES					
Keith Aughenbaugh	GS-12/4	$34781	GS-12/5	$35835	5/25/86
Guy DeLumeau	GS-13/4	$41358	GS-13/5	$42611	7/20/86
Philip DeLongchamps	GS-14/5	$50354	GS-14/6	$51835	7/20/86
Sharon Griffith	GS-13/1	$37599	GS-13/2	$38852	7/6/86
James Johnson	GS-13/5	$42611	GS-13/6	$43864	7/20/86
Marianne Long	GS-9/8	$27701	GS-9/9	$28450	3/29/87
Odessa Mitchell	GS-13/1	$37599	GS-13/2	$38852	8/17/86
Richard Nold	GS-13/6	$43864	GS-13/7	$45117	7/20/86
Adeline Sines	GS-12/6	$36889	GS/12/7	$37943	5/25/86
Charles Wiles	GS-12/2	$32673	GS-12/3	$33727	9/14/86
Doris Young	GS-8/9	$25757	GS-8/10	$26435	3/15/87
PMRS MERIT INCREASES					
Nancy Boone	GM-15	$52262	GM-15	$54004	10/12/86
David Heggestad	GM-15	$58515	GM-15	$60257	10/12/86
Dale Jones	GM-15	$65301	GM-15	$66172	10/12/86
Darla Knoblock	GM-14	$50848	GM-14	$51589	10/12/86
Larry Morgan	GM-15	$56800	GM-15	$58542	10/12/86
Antonio Palomo	GM-15	$58258	GM-15	$59229	10/12/86
Stephen Sander	GM-15	$60233	GM-15	$61975	10/12/86
James Slater	GM-15	$67604	GM-15	$67940	10/12/86
Gary Van Buskirk	GM-15	$54004	GM-15	$55746	10/12/86
5 USC 5303 - SPECIAL RATE					
Mary Baltimore	GS-6/1	$16040	GS-6/1	$17623	4/12/87
Donna Daniel	GS-7/7	$22030	GS-7/7	$22642	4/12/87

Question: Please provide the Committee with an estimate of the response time for letters received in your office from members of Congress and Presidents or Governors of the insular area governments and describe how the estimate was made.

Answer: The policy of the Department requires that letters from Members of Congress be responded to in some form within ten working days. The average letter from a Member would be responded to within five working days.

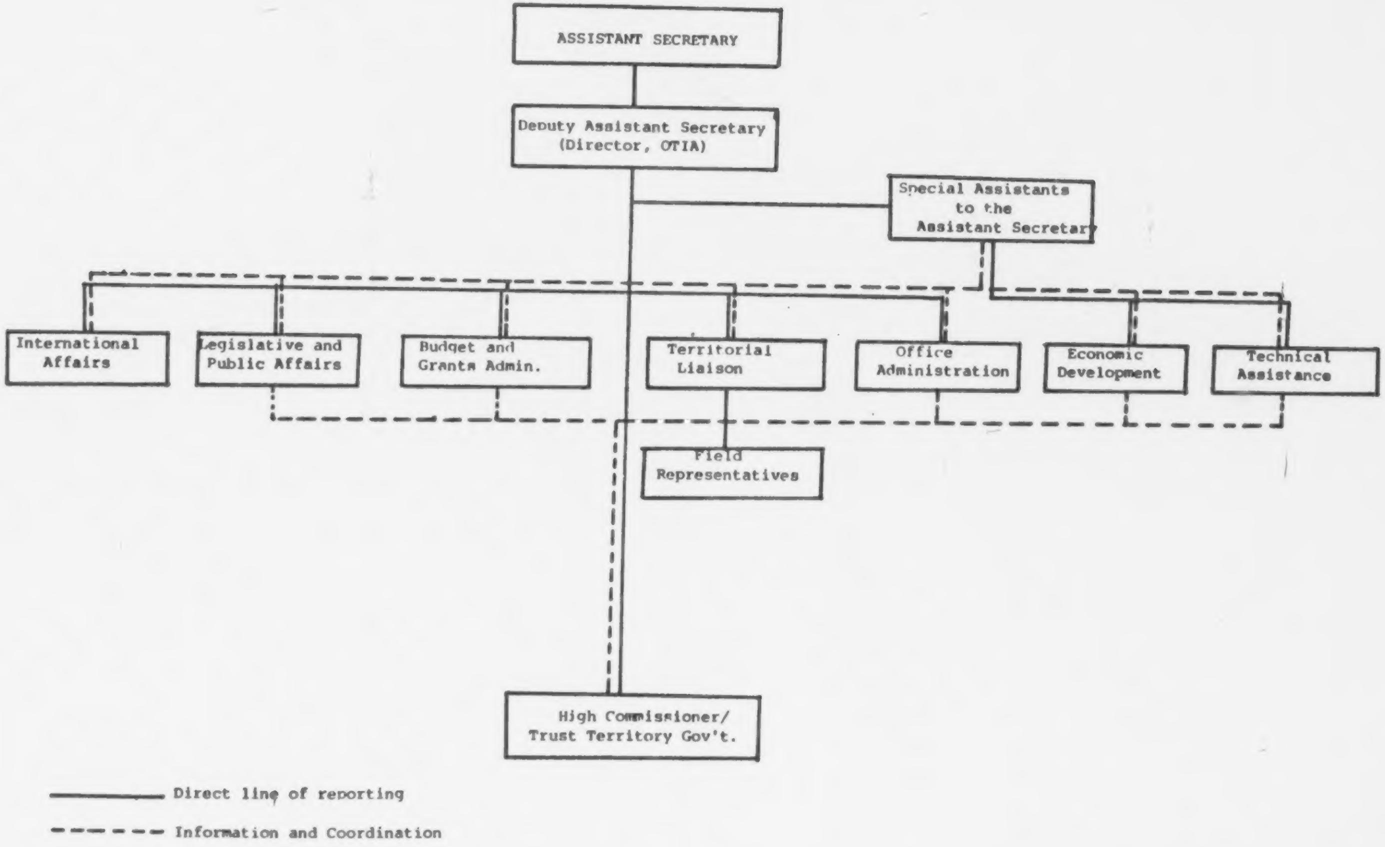
Letters from the Presidents and Governors of the Insular governments are also normally responded to within 10 working days. However, the amount of time required to develop a response depends upon the subject, the number of surnames required within the Department, and whether other federal agencies or territorial governments must be contacted to obtain the necessary information. If it appears that a longer period of time will be necessary to compile the substantive material, an interim response is sent immediately, indicating that the detailed information will soon follow.

Mail received from Members of Congress and the Presidents and Governors of Insular governments is placed under a department-wide mail control system with a specific deadline for a response to be prepared. In addition, OTIA is in the process of installing a mail tracking program on the Assistant Secretary's computer system to provide additional oversight for the purpose of providing timely responses to all mail.

Question: Please provide the Committee a copy of your office's organizational/decision-path chart.

Answer: The information follows:

TERRITORIAL AND INTERNATIONAL AFFAIRS


ASSISTANT SECRETARY
Deputy Assistant Secretary (Director, OTIA)
Special Assistants to the Assistant Secretary
International Affairs
Legislative and Public Affairs
Budget and Grants Admin.
Territorial Liaison
Office Administration
Economic Development
Technical Assistance
Field Representatives
High Commissioner/ Trust Territory Gov't.
Direct line of reporting
Information and Coordination

Question: For the record, please provide a list of consultants for the past three years and the amount received by each consultant.

Answer:

	Consultant	Salary
1987	Mr. Raymond Lett	$31,052.14 1/
1986	Mr. Raymond Lett	1,822,80
1985	Mr. John J. Hammond	16,269.10

1/ As of March 31, 1987

Question: How much is in your budget for fiscal year 1988 for FTS and long distance telephone costs?

Answer:

FTS	22,000
Long distance	25,000
Total	47,000

Question: What percentage of your employees would have occasion to place long-distance calls on a regular basis? How do you monitor the use of long-distance telephone calls to assure that there are no abuses in this area?

Answer: Because of the vast distances and various locations of the territories and the specific projects, long distance telephone calls by OTIA staff are a necessity. Approximately 42% of the staff regularly make long distance calls. The monitoring of calls is performed by the Office of Telecommunications, within the Office of Administrative Services. Two monitoring methods are used: (1) Calls made on the FTS phone lines are monitored on a 20% random basis and; (2) Calls made on commercial lines are billed directly from the telephone company with a call-by-call listing, which is reviewed on a individual basis.

Prior Service Benefits

Question: Last year Congress appropriated $8 million to establish a trust fund to meet our retirement obligations to persons employed by the U.S. in the Trust Territory. I understand that delays at the Department have resulted in the loss of well over $1 million in interest to this trust. Because Congress may have to appropriate additional funds to cover future shortfalls in the trust fund, such delays are a very serious matter. Why has it taken the Department so long to release these funds.

Answer: We do not believe there was a delay in the release of money to establish a trust fund. A trust agreement was drafted and subjected to a full management and legal review before funds were released. The entire process took approximately six months. We do not think this is an inordinate amount of time to protect the interests of the Federal government and the taxpayers, given the large amount of money involved. If the fund is capable of earning well over $1 million in a six-month period, we do not believe future shortfalls should be a problem. Total benefits currently being paid are less than $400,000 annually. In addition to the trust fund, Congress appropriated $373,000 to cover all benefits through fiscal year 1987. This means the earliest that proceeds from the trust fund will have to be tapped will be in October 1987.

American Samoa Capital Improvements

Question: The budget request includes $1.5 million toward a 5-year $6 million Seawall construction program in Samoa. Why was it decided to have these projects done through ASG rather than the Army Corps?

Answer: The decision was made by the American Samoa Government. Using the Army Corps of Engineers would take three years to design and complete the projects and would cost 6 times as much. The Army Corps also acknowledged that it currently did not have the resources available for the project. The American Samoa Government sees this as a good opportunity for a long-term joint venture between the public and private sectors.

Question: What experience does the ASG have in seawall construction and what is the record of their achievement in such projects?

Answer: The American Samoa Government has successfully constructed seawalls for the villages of Fagasa, Amanaue, Lauli'i, Onesosopo, Tafananai, and Gataivai. They have qualified and experienced engineers and equipment operators but suffer from a lack of usable equipment. With the proper equipment, which the FY 1988 appropriation would supply, they should have no problem completing the project.

Question: What specifically does the budget request mean when stating that seawalls will be of "lesser design" than that of the Army Corps?

Answer: The Army Corps of Engineers builds its projects to a standard of 100-year storms. This means the project would withstand the worst storm that could be expected in a 100-year period. The American Samoa Government project is designed at a standard of 10-years-plus storms. This means it could withstand the worst storm that could be expected for 10 years or more.

Question: How does this appropriation fit in with an overall, long-term, plan for seawall construction?

Answer: The American Samoa Government believes that with the initial appropriation to purchase the necessary heavy equipment, it can provide the necessary funds in subsequent years to maintain a long-term public/private sector joint-venture project of seawall construction.

Technical Assistance

Question: Last year the Committee directed that technical assistance funds be provided to the FAS "at a level consistent with previous fiscal years". Would you please provide a breakdown of grants to each of the territories, commonwealth and Freely Associated States for FY 87 to date?

Answer:

FY 1987 Technical Assistance Grants

Marshall Islands		
1987	First Quarter	-0-
	Second Quarter	28,500
	Third Quarter	65,000
		93,500

American Samoa		
1987	First Quarter	249,000
	Second Quarter	75,500
	Third Quarter	67,000
		391,500

Palau		
1987	First Quarter	-0-
	Second Quarter	78,000

Commonwealth of the Northern Mariana Islands		
1987	First Quarter	31,000
	Second Quarter	202,000
	Third Quarter	154,600
		387,600

Federated States of Micronesia

1987	First Quarter	-0-
	Second Quarter	185,000

To Date: 1,531,520

Guam

1987	First Quarter	12,650
	Second Quarter	177,570
	Third Quarter	155,700
		345,920

Virgin Islands

1987	First Quarter	-0-
	Second Quarter	50,000

Question: Each year we play this little game in which the Administration cuts the technical assistance budget and each year Congress restores it. It appears that the need for this program is growing not decreasing. For example, many of the insular areas have plans to continue or expand ambitious financial management improvement programs. Don't you believe that the insular governments deserve the modest benefits of this program without it being cut along with capitol construction grants?

Answer: The 1988 President's Budget requested technical assistance funding in the amount of $2,200,000 consistent with previous requests and territorial needs. This, added to a substantial prior year carryover balance, should be sufficient to meet the technical assistance needs of all the territories.

Question: The Virgin Islands has requested $500,000 to expand and accelerate its financial management improvement program. Is this a project which could be funded through the Technical Assistance program? Could it be funded if the program were restored to last year's funding level in FY 88?

Answer: This project can be funded within the total requested for the Technical Assistance Program. As noted earlier, other qualified agencies have committed assistance for the financial management improvement program.

Question: I understand that President Kabua of the Republic of the Marshall Islands wrote to you about six months ago requesting technical assistance funds and that he has not yet received an answer to his letter. Is this true?

Answer: We sent President Kabua a letter describing actions taken with regard to technical assistance requests. The requests in question were approved in May 1987 after meetings with officials from the Republic of the Marshall Islands.

Palau Operations

Question: The budget includes a slight increase for operations for Palau. The increase is to make up for the Gramm-Rudman reduction and the cost of last year's Compact plebiscite. Considering that Palau has not had base funding for its operations increased for several years, but it has had demands on its government grow, do you believe that Palau is justified in requesting an increase in operations funding?

Answer: We are uncertain as to the nature of the growing demands on the Palau government. To our knowledge, Palau's financial difficulties can be attributed primarily to increasing expenditures that have not been matched with commensurate increases in local revenue. The increased expenditures have covered self-determined pay raises and increases in the number of government personnel, rather than new and necessary programs. For this reason, we believe increased costs have not been justified and, therefore, should be funded by local revenues.

Question: What has Palau done to reduce its operations costs and what other options do you believe remain available to them?

Answer: Currently, Palau is withholding 20 percent of all government salaries. However, since payment is being deferred until a later time there is no real savings. Other steps taken by Palau include a reduction in general obligational authority of 20 percent throughout government; the power plant is being closed down 6 hours each day; a freeze has been instituted on new hiring and travel; salaries have been frozen; medical referrals have been reduced; patient meals at the hospital have been reduced to two a day; and gasoline for government vehicles is being rationed.

The Department believes that the best option available to Palau to reduce costs and stimulate the private sector is through privatization. Palau should examine carefully those functions currently performed by the government that are normally provided by the private sector, and consider privatization of those that are a drain on the government.

American Samoa Operations

Question: Did your office know that the budget submitted by the ASG overestimated local revenues by more than 5 million dollars?

Answer: We were informed by the American Samoa Government in January 1987 that local revenues had been overestimated. This was after final decisions had been made on the President's Budget.

Question: When the ASG brought this problem to your attention did you request a budget amendment?

Answer: We did not request a budget amendment. Current policy requires that any budget amendment (or supplemental) be accompanied by a proposed offset in some other budget line item. We did not believe there were any viable offsets in territorial programs.

Question: You believe, then, that ASG does not need these funds?

Answer: We do not believe the American Samoa Government has taken all possible action to minimize the need for additional funds. We have met several times with the Governor and his staff, both in American Samoa and in Washington, to discuss the financial situation. We have identified several targets of opportunity to either reduce government costs or increase local revenues and have pledged technical assistance support for that type of effort.

Question: What options do you believe ASG has to balance its budget?

Answer: In the area of enhanced revenues, there are several opportunities. The Tax Reform Act of 1986 did not hold American Samoa hostage to the Internal Revenue Code. Rather, the territories have been given local autonomy to de-link or modify the Internal Revenue Code to meet their revenue needs. Even without changes in the tax structure, there are significant opportunities to increase revenue through improved collections. We also believe that adequate user fees and a rational rate structure can and must be implemented to improve the financial position of the government and avoid unbudgeted subsidies of services and commercial enterprises.

The American Samoa Government must also strive to reduce its operating expenses. Greater efficiency can be achieved in many areas. The payroll, which constitutes more than two-thirds of operating costs, must be reduced.

CNMI Field Representative

Question: I am concerned to see that your Office's Representative to the Northern Mariana Islands is a political appointee rather than a career civil servant. In my mind a civil servant is more likely to provide the experience and the continuity which these representative positions demand. What was your reasoning for not selecting a career civil servant for this position?

Answer: This position was initially advertised as a career position on March 4, 1986, with the minimum area of consideration to be All Applicant. On April 4, 1986, a Merit Promotion Certificate was issued and a selection was made. The applicant selected did not have Civil Service status so a request was sent to the Office of Personnel Management (OPM) to have the applicant certified on a competitive register. Since the position description reflected responsibility for promoting and enforcing policies that appeared to be political in nature, OPM in a letter to the Department of the Interior suggested that this position be placed in the excepted civil service, and we agreed.

Question: Was this position ever opened for applications by the Department?

Answer: Yes. Vacancy Announcement #86-21(A).

Question: How many applicants were found to be qualified for the position?

Answer: Two applicants were certified on the Merit Promotion Certification.

Question: Did the individual who was eventually hired for the position apply and was he among those persons selected as qualified?

Answer: Yes.

Compact Implementation

Question: Section 105(b) of Public Law 99-239 provides that the Secretary of Interior "shall coordinate and monitor any program or activity provided" to the Freely Associated States by the Government of the United States. Moreover, in the FY 1987 appropriations bill Congress provided $250,000 to fund four positions in OTIA for supervision of Compact implementation.

Considering that the Compact was implemented nearly a half-year ago and that this transition period is critical to the development of the FAS, don't you think that it's time to hire experienced persons to assist you in fulfilling these duties?

Answer: We agree that the transition period is critical to the development of the Freely Associated States (FAS), particularly with regard to the extension of Federal programs. Once the transition is completed, the FAS will receive program grants directly from Federal agencies and will be held responsible and directly accountable for their actions under the terms and conditions of the grants. Heretofore, the Trust

Territory Government has assumed that responsibility. It was for this reason that the Department decided to retain grant experts in the Trust Territory Government throughout fiscal year 1987. The Trust Territory program specialists have worked on managing these grants for years and are as experienced and knowledgeable as any Federal employees. We are recruiting Federal employees who will be on board at the critical time when the Trust Territory experts are no longer available.

Question: Would you please detail for the Committee what the $250,000 intended for these staff positions was actually used for?

Answer: The $250,000 appropriation was added to the salaries and expenses account for the Office of Territorial and International Affairs. The funds have not been expended and OTIA is in the process of recruiting for these staff positions.

Question: When do you expect to fill these positions?

Answer: We expect final selection of these positions sometime following consultations with Committee staff which the Committee has directed to take place prior to June 30, 1987.

Question: Will you assure the Committee that the individuals hired, or detailed from other agencies will have the experience and knowledge of federal programs so that they will be capable of providing the assistance and supervision anticipated under Public-Law 99-239?

Answer: We can assure the Committee that we will hire the most knowledgeable and qualified individuals that we can find. We think it will be extremely difficult to find individuals who have experience and detailed knowledge in a wide range of Federal programs. Most experts are familiar only with a single program or category of programs.

Question: Have you met with officials of the Freely Associated States to identify which programs and activities they have an interest in?

Answer: Yes. We have met with officials of the freely associated states on numerous occasions. They are interested in all programs and activities for which they retain eligibility.

Guam Power Authority

Question: Please update the Committee on the status of the effort to terminate the Navy/GPA power pool agreement as directed by the Congress in P.L. 98-473.

Answer: The Department of the Interior contracted with the firm of Ernst & Whinney to prepare a report and plan for a new customer-supplier relationship between Navy and the Guam Power Authority. The report has been completed and is being forwarded to the U.S. Congress. Interior, Navy and Guam Power Authority remain committed to the termination of the power pool agreement. Significant progress has been made. Navy and GPA have begun implementing the first steps of the plan prepared by Ernst & Whinney. They are currently negotiating the technical provisions of the comprehensive power utilities contract which will replace the power pool agreement.

STATEMENT OF JONATHAN M. WEISGALL, LEGAL COUNSEL, PEOPLE OF BIKINI

Thank you for providing the people of Bikini an opportunity to appear before you today.

The Bikinians' request to this Subcommittee is to vote to appropriate funds to commence the return of the Bikini people to Bikini Atoll. The Executive Branch has formally agreed to undertake this task both under Section 103(e) of the Compact and in the context of a lawsuit settlement agreement, but to date it has not sought these funds. It has not lived up to its commitments.

Let me briefly review the history of this funding request. Three years ago, the Bikinians brought suit in federal court seeking to force the U.S. Government to clean up, rehabilitate and resettle Bikini. The lawsuit was settled two years ago, as the Government stated that the "United States views with favor the rehabilitation and resettlement of Bikini Atoll by the people of Bikini and pledges to the people of Bikini to use its best efforts to facilitate the steps necessary to achieve these objectives."

Under the settlement agreement, the United States agrees to provide funds under Article VI of the Compact Section 177 Agreement to assist the Bikinians in resettling Bikini Atoll. The agreement also provides that "the United States intends that these funds be used for resettlement activities which, to the maximum extent practicable, contribute to the rehabilitation of Bikini Atoll, and especially Bikini Island." Under the agreement, the availability of these funds depends upon the following conditions:

1. Submission of a final report to Congress by the Bikini Atoll Rehabilitation Committee, or BARC (established by P.L. 97-257 in 1982 to determine the feasibility and cost of cleaning up Bikini Atoll);

2. Acceptance by the Bikinians of this final report; and

3. The development of a plan by the United States, in consultation with the people of Bikini and based to the maximum extent practicable on the final report, for the use of these funds.

Let's review these three conditions. As far as Eneu Island is concerned, BARC has submitted a final report. For nearly three years now, it has stated unequivocally in four separate reports that Eneu needs no radiological cleanup and may be resettled now, assuming the availability of imported food.[1] Lest there be any doubt about this matter, I asked Professor Henry Kohn, BARC's chairman, to clarify matters at last year's House Interior Appropriations Subcommittee hearing:

> MR. WEISGALL. Could I ask clarification from Dr. Kohn? Is it fair to say as far as the committee is concerned, Eneu can be settled today? In your opinion, is there a final report on Eneu?
>
> DR. KOHN. I say yes. This report starts out with an abstract. I don't have to repeat it. It says Eneu may be resettled now.[2]

BARC has issued its final report on Eneu. It has concluded that Eneu is safe, assuming the availability of imported food. More experiments are needed at Bikini Island before BARC can set forth the cleanup options. But that fact is no reason to delay the Eneu base facilities. Bikini Island will eventually become the main resettlement site, but an Eneu base facility can -- and should -- be started now.

---

[1] See BARC Report No. 1 (November 15, 1984) at 15: "Unrestricted use of Eneu and several other islands is now permissible"; BARC Report No. 2 (November 15, 1985) at 7: "BARC's Report No. 1 covering its work for FYs 1983 and 1984 concluded that Eneu may be resettled now;" BARC Report No. 4 (March 31, 1986) at 7: "Eneu may be resettled now"; BARC Report No. 5 (March 31, 1987) at 3: "As reported previously, Eneu may be resettled now."

[2] Department of the Interior and Related Agencies Appropriations for 1987: Hearings Before a Subcommittee of the House Committee on Appropriations, 99th Cong., 2d Sess. 1083 (1986).

Holmes & Narver, Inc., a firm with 40 years of experience in the Pacific and at Bikini, worked closely with the Bikini people to prepare a Conceptual Design Report for Eneu last January with the $237,000 appropriated by Congress last year to develop a plan to start this process. One thing is missing -- the funds. Two years ago the full House voted to add $8 million to the FY 1986 budget to start the Eneu base facilities, but the Senate voted against the measure, in part because the cost estimates were insufficiently detailed. The Conceptual Design Report now spells out those costs.

The House Interior Appropriations Subcommittee has asked three groups -- BARC, the Department of Energy and the Department of the Interior -- to comment on the Conceptual Design Report and the cost estimates. BARC's latest report approves all major aspects of the plan:

> BARC has been asked on a number of occasions for its opinion of the conceptual designs [for Eneu]. In general, members have felt that the work is very useful in providing an immediate basis for developing realistic and specific engineering plans for Eneu, whose execution would in turn pave the way to deal with Bikini.
>
> In particular, BARC approves of the provision for docks on both Eneu and Bikini, for reconditioning the airport (including the runway which plays a major role in water supply), and for electric power.
>
> Such general approval, however, does not deal with the details that are implicit in such designs--for example, the length, width and surfacing of roads; the amount of housing (square footage) per individual.3/

Department of Energy Secretary Herrington has written to the Committee also endorsing the Conceptual Design Report, stating that "[t]he Eneu plan fits well into the overall desire of the people to resettle primarily

---

3/ BARC Report No. 5 (March 31, 1987) at 20.

on Bikini Island with the bulk of life support and commercial activity on Eneu." Department of Interior Secretary Hodel, however, writes by letter dated April 23 that "the Department has not yet completed its review of the Eneu Report . . . ." The Department received the report in January, nearly four months ago. Secretary Hodel adds: "Since any commitments for Eneu should be undertaken within the overall framework for the rehabilitation of Bikini Atoll to be recommended by BARC, it would be premature at this time for the Department to comment as to any preferred method for rehabilitation." It should be noted, however, that even BARC recognizes that commitments for Eneu can be undertaken now within the overall framework of the rehabilitation of the entire atoll. BARC has recognized that regardless of the method of cleanup of Bikini Island that is eventually selected, docks for both Bikini and Eneu are needed, the Eneu airport must be reconditioned and electric power must be supplied.

The Bikini people recognize that this letter from Secretary Hodel probably does not reflect the personal views of Assistant Secretary Montoya. After all, he told the House last year that "we should move expeditiously"[4/] on Eneu. Nevertheless, despite the internal constraints within the Executive Branch, the fact is that this letter directly violates Article I, Section 1, of the lawsuit settlement agreement, in which the United States Government "pledges to the people of Bikini to use its best efforts to facilitate the steps necessary to achieve these objectives [of rehabilitating and resettling Bikini Atoll]." Section 103(1) of the Compact specifically endorses this settlement agreement and declares it to be U.S. policy to "fulfill

---

[4/] Department of the Interior and Related Agencies Appropriations for 1987: Hearings Before a Subcommittee of the House Committee on Appropriations, 99th Cong., 2d Sess. 1082 (1986).

its responsibility for restoring Bikini Atoll to habitability." This commitment is specifically "supported by the full faith and credit of the United States."

The Administration has not seen fit to live up to its obligation, both under the lawsuit settlement and the Compact, to request funding for Bikini resettlement. Indeed, by failing even to request $1 million in the FY 1987 supplemental budget for BARC to continue its work so that it can submit a final report with respect to Bikini Island next year, the Executive Branch seems to be reneging on the lawsuit agreement by actually taking steps to prevent the three conditions cited in the settlement agreement from ever coming to pass.

These concerns are shared by the Senate Committee on Energy and Natural Resources. Earlier this month, Senators Johnston, McClure and Inouye wrote to Senator Byrd, Chairman of this Subcommittee, pointing out that "[t]he Administration has, in its fiscal year 1988 budget request, once again failed to request appropriations to meet these obligations [to the people of Bikini]." The letter went on:

> Failure to initiate funding for the resettlement of Bikini would place the U.S. Government in violation of the settlement agreement reached between the U.S. Government and the people of Bikini. This settlement was negotiated in good faith by the people of Bikini and it was approved by the Office of Management and Budget. The Administration has a moral and legal responsibility to adhere to that agreement.

If no funding is forthcoming, the Bikinians may be in the position of having to go back to court for the sole purpose of seeking an order forcing the United States to live up to the 1985 settlement agreement and Section 103(1) of the Compact.

The people of Bikini urge this Subcommittee to add $14,060,200 to the FY 1988 budget to complete detailed design work for the Eneu base facilities and to implement the first year of the three-year construction program contemplated by the Conceptual Design Report. The detailed design work, which totals $933,800, is explained in the spreadsheet in Section 8 of the Eneu Conceptual Design Report. The first year of construction funds, totaling $13,126,400, are explained in the same spreadsheet.

Should the Committee be unwilling to fund construction money in FY 1988, the people of Bikini ask you to add $3.4 million to the budget to cover detailed engineering drawings, dock design for Bikini Atoll, a comprehensive master plan, program management, special studies related to the environmental impact statement and an agricultural maintenance and fertilizer program for Eneu. With these programs in place next year, it will then be possible to accelerate the construction schedule as soon as funds become available.

Listed below is a breakdown of these costs and a short description of each item:

I. Detailed Engineering Design for Eneu Base Facilities		$933,800
II. Design of Dock for Bikini Island		150,000
III. Comprehensive Master Plan for Bikini Atoll		710,000
IV. Program Management		
A. Technical Overview (Scientific Consultant)	150,000	
B. Management Plan	75,000	
C. Technical Support	290,000	515,000
V. Special Studies to Support Environmental Impact Statement		245,000
VI. Agricultural Maintenance and Fertilizer Program		860,000
TOTAL		$3,413,800

I. Detailed Engineering Design for Eneu Base Facilities

The $933,800 figure, from Section 8 of the Conceptual Design Report covers all the design engineering work, including civil, architectural, structural, mechanical and electrical, as well as project management, other direct costs and reimbursement for the recently completed March field trip to Eneu to plot wato lines.

II. Design of Dock for Bikini Island

BARC and the Army Corps of Engineers agree that this project should be pursued during construction work on the Eneu base facilities in order to facilitate work throughout the entire atoll.

III. Master Plan

Based on the Enewetak model, this plan would probably consist of at least five parts, together with the already existing Conceptual Design Report:

(a) Land Use Plans for Eneu, Bikini and the outer islands, as well as wato surveys and property ownership maps. Both of these projects are already in process for Eneu.

(b) Physical plan for infrastructure and facilities. This would include planning for docks, roads, airport, utilities, public buildings, residential housing (including physical models) and community buildings. Some of this work is already in progress as part of the Eneu Conceptual Design Report.

(c) Economic development plan. This would entail work with independent consultants and RepMar development planners to review Bikini's potential for tourism, marine resources, agriculture and other economic opportunities.

(d) Operation and maintenance plan to cover power plant, water production, electrical distribution, sewage handling, roads, airport, public buildings and residential housing.

(e) Cost estimates for the three phases of the program: Eneu base facilities (already completed), Bikini rehabilitation and atoll resettlement.

IV. Program Management

A. Technical Overview. This would pay for an independent scientist to assist the Bikini people in assessing BARC's recommendations and conclusions and to help communicate the Bikinians' views to Congress and the appropriate federal agencies.

B. Management Plan. This booklet would cover all aspects of managing the project, including audit procedures, planning control, fiscal control, supervision of progress payments to the construction contractor, financial reporting to the Interior Department, project documentation, planning and design guidelines, periodic review of project activities, quarterly progress and financial reporting, and establishment of an oversight committee.

C. Technical Support. This would include such activities as hiring a special consultant with respect to the 16 ships at the bottom of Bikini Lagoon and transportation and logistical support with respect to Bikini Planning Council meetings with BARC, Lawrence Livermore scientists, Holmes & Narver and the Enewetak people to review their cleanup experience.

V. Special Studies

The Army Corps of Engineers (Pacific Ocean Division) has asked for assistance in completing the environmental impact statement for Bikini Atoll, including such matters as a study of wave action at Bikini Island in connection with the proposed dock.

VI. Agricultural Maintenance and Fertilization Program for Eneu Island

This total of $860,000 consists of two projects. The first, costing $640,000 (see Schedule III of Section 8 of the Conceptual Design Report), covers a program using Bikini work crews to clear unnecessary vegetation and trees from Eneu. The second part, costing $220,000 (see spreadsheet attached to Section 8), represents the first year's cost of a three-year fertilizer treatment program for Eneu, also with Bikini work crews.

There is no excuse for the Administration's failure to seek funding for Eneu for the last two years in light of the lawsuit settlement and the Compact. By arguing that BARC has not submitted a final report on cleanup methods for Bikini Island, the Administration simply quibbles with the terms of the settlement agreement and seeks to hang its hat on a tortured semantic reading of the agreement. Such an interpretation, I submit, flies squarely in the face of the very first substantive provision of the lawsuit settlement, which states that "[t]he United States . . . pledges to the people of Bikini to use its best efforts to facilitate the steps necessary to achieve" the cleanup and resettlement. (Emphasis supplied.)

The Bikini people hope that Congress will make good on its commitment under Section 103(1) of the Compact to "fulfill its responsibility for restoring Bikini Atoll to habitability," despite the Administration's utter failure to meet its moral and legal responsibilities to the Bikini people and the rule of law. I would be pleased to answer any questions you may have.

Thank you.

SUBCOMMITTEE RECESS

Senator JOHNSTON. The subcommittee will stand in recess.

[Whereupon, at 12:01 p.m., Thursday, April 30, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

TUESDAY, MAY 5, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:05 p.m., in room SD–138, Dirksen Senate Office Building, Hon. Harry Reid presiding.

Present: Senator Reid.

SMITHSONIAN INSTITUTION

STATEMENT OF ROBERT McC. ADAMS, SECRETARY

ACCOMPANIED BY:
- DEAN W. ANDERSON, UNDER SECRETARY
- DAVID CHALLINOR, ASSISTANT SECRETARY FOR RESEARCH
- JOHN F. JAMESON, ASSISTANT SECRETARY FOR ADMINISTRATION
- RALPH RINZLER, ASSISTANT SECRETARY FOR PUBLIC SERVICE
- JOHN E. REINHARDT, DIRECTOR, DIRECTORATE OF INTERNATIONAL ACTIVITIES
- ANN R. LEVEN, TREASURER
- RICHARD L. SIEGLE, DIRECTOR, OFFICE OF FACILITIES SERVICES
- MICHAEL H. ROBINSON, DIRECTOR, NATIONAL ZOOLOGICAL PARK
- NANCY D. SUTTENFIELD, DIRECTOR, OFFICE OF PROGRAMMING AND BUDGET
- IRWIN I. SHAPIRO, DIRECTOR, ASTROPHYSICAL OBSERVATORY

BUDGET REQUEST

Senator REID. The subcommittee will come to order.

We appreciate everyone being here today. This is the time scheduled for the subcommittee to review the fiscal 1988 budget request for the Smithsonian Institution, the Woodrow Wilson International Center for Scholars, and the U.S. Holocaust Memorial Council.

We will start with the Smithsonian Institution request. The lead witness for the Smithsonian will be its Secretary, Mr. Robert McC. Adams. Mr. McC. Adams, we wish you to come with as many associates as you wish.

The Smithsonian's 1988 request for its major operating account salaries and expenses is for $204,862,000. which is an increase of $20,942,000, or 11 percent over the 1987 appropriations to date.

The funding requested for the construction program is down $1,625,000, or 26 percent from 1987.

Restoration and renovation expenses are estimated at $14,254,000, an increase of about 10 percent from 1987.

Finally, funding to continue construction of the National Zoological Park is proposed at $5,150,000, an increase of $2,650,000, or 106 percent increase above the 1987 level.

In total, the Institution is requesting $228,736,000 for fiscal year 1988, an increase of $23,246,000 over 1987 appropriations.

INTRODUCTION OF ASSOCIATES

Mr. Adams, once you and your colleagues have taken your places at the witness table—and I see you have—we'll have you introduce your associates. We will, of course, insert your entire statement into the record. If it's acceptable with you, you will proceed now for you to give a brief outline of your statement and then we will proceed to questions.

Mr. ADAMS. Thank you, Mr. Chairman. My associates include the Institution's Under Secretary, Mr. Dean Anderson, on my left; and Miss Nancy Suttenfield, Director of Planning and Budget for the Institution, on my right.

PREPARED STATEMENT

Mr. Chairman, in view of the whole agenda that you have before you, I think I might be doing you a service if I omitted an introductory statement and simply asked that the one we formally submitted be made a part of the record.

Senator REID. It will be made part of the record.

[The statement follows:]

STATEMENT OF ROBERT McC. ADAMS

It is a pleasure to come before the Subcommittee today to discuss the FY 1988 budget priorities for the Smithsonian. In order to place these priorities in their proper perspective, I would like to begin my statement with a brief review of some of the major milestones and accomplishments that we have recently witnessed or that will take place before FY 1987 draws to a close.

First of all, Mr. Chairman, I am pleased to report on the Quadrangle. Ceremonies inaugurating the Enid A. Haupt Garden south of the Smithsonian "Castle" will be held in late spring, and the garden will be open to the public throughout the summer. On September 28, the museums and other elements of the Quadrangle complex will open to the public; the President has been invited to officiate at the opening ceremony. An inaugural series of symposia, lectures, concerts, and receptions will introduce the programs of the Ouadrangle to the Regents, members of Congress, Washington's official international community, donors, special guests and the general public. Major exhibitions will be presented by the Sackler Gallery, the National Museum of African Art, and the International Center; each bureau also will sponsor a wide range of public and scholarly programs to complement these exhibitions. The opening of the Quadrangle culminates a decade of planning and construction, accomplished with your support, that will bring greater visibility to the international research, museum, and public service programs of the Institution.

For three days this past September, hundreds of scientists, policy makers, and members of the public met at the Smithsonian's National Museum of Natural History and the National Academy of Sciences for a National Forum on Biological Diversity. Unprecedented in its scope, the Forum allowed its participants to explore the scientific significance of biological diversity and to analyze the factors that threaten its future. Overwhelmingly in agreement that diversity is fundamental to life on earth, the gathering provided an opportunity to examine the consequences of increasing worldwide development against the backdrop of functioning biological systems. The direct result was a greater appreciation by the American public of this important subject, not only as a research topic, but also as an emerging issue warranting international political attention. We are, indeed, grateful for the support that Congress has shown for our programs that investigate various aspects and implications of biological diversity.

In November of 1986, the Institution closed the Rockville branch of the Environmental Research Center. As the Subcommittee knows, SERC-Rockville was for many years a substantial contributor to studies of plant physiology and cellular development. However, the specialties of this unit were subsumed over time by broader areas of scientific research. Following extensive outside review, the decision was made to cease activities at Rockville, but to retain certain high priority efforts under new administrative and scientific direction and to reprogram the bulk of the monies in support of other biological activities occupying a more central and urgent place in the programs of the Institution. In a time of limited resources the Institution must make hard decisions about priorities. We recognize the consultative role of the Congress in these decisions and seek its understanding of the need for flexibility to transfer resources to new targets of opportunity.

We have made several important strides in our collections acquisition and exhibition efforts thus far this year. "Engines of Change," an exciting new exhibition at the National Museum of American History on the American Industrial Revolution, is accompanied by a book of the same title, written by staff curators and published by the Smithsonian Institution Press. We have great pride in the fact that the book has been nominated for a Pulitzer Prize. After months of negotiation, the National Museum of American Art was able to consummate an agreement to acquire a renowned collection of American folk art amassed by Herbert Waide Hemphill, Jr. Purchase of this collection of some 378 objects was made possible through the partial donation of the objects by Mr. Hemphill and trust funds of the Museum which were earmarked for the purchase of works for the NMAA collection. In late 1986, the Smithsonian Traveling Exhibition Service (SITES) successfully launched a tour of Russian paintings from 1850-1910 in the United States and a reciprocal tour in the Soviet Union of works from the United States. In addition, we will soon celebrate the re-opening of the Anacostia

Museum at its new location, bringing together for the first time all of its exhibits and other staff in the expanded facility at Fort Stanton Park.

Turning to the subject of public access, I am pleased to report that the Institution is reinstating the practice of keeping the major museums open late during the week after Easter and during the summer of 1987. While recognizing the value to the public of our extended hour program, we are presently having difficulties in maintaining adequate guard coverage during regular hours. Frequently exhibit areas must be closed to the public. Given the choice between using base dollars for extended hours security or for daytime coverage for our primary audience, we would choose the latter use; a provision to redirect base funds is in our FY 1988 budget.

The subcommittee will be interested, I'm sure, to know that the Institution has made progress in removing PCB filled transformers in its buildings. We have begun to retrofill two PCB transformers at the National Air and Space Museum with liquid that is not harmful to people or to the environment. Three transformers have been replaced at the Smithsonian Institution Building. Later this spring the design will be complete and a contract awarded to replace the transformers at the American Art/Portrait Gallery Building. Replacement of transformers in the Freer Gallery of Art will be accomplished during the planned renovation of the building and construction of the link to the Quadrangle beginning in the fall of 1987. Replacement of all other PCB filled transformers will be completed by spring 1989.

We have recently opened bids for construction of the Tupper Laboratory and Conference Center at the Tropical Research Institute -- a facility for which funds were appropriated last year. Groundbreaking was held on April 3, 1987 and construction has started. A contract award has been made and construction has begun on the restaurant at the National Air and Space Museum, which will be financed with non-federal funds of the Institution. The restaurant should be completed in FY 1988.

The Institution is currently conducting a comprehensive evaluation of the repair and restoration needs of its facilities. One of the primary goals of the inspection program is to establish the magnitude of the backlog of essential repair and maintenance confronting us. Projects in excess of $200 million have already been identified to repair or replace building components and systems, bring the buildings up to safety and health codes, and arrest deterioration or otherwise assure long term preservation of the buildings.

To distinguish major repairs and renovations required to renew existing facilities from renovations undertaken for otherwise routine or programmatic reasons, we have initiated discussions with the Office of Management and Budget (OMB) about establishing a separate account designated "Major Capital Renewal" and for which we would seek authorization and funding in FY 1989. An initial Major Capital Renewal project would be the replacement of the 23 year old heating, ventilation and air conditioning system at the National Museum of Natural History, the total cost of which is estimated at $100 million. A plan has been developed to phase construction over 14 years in order to avoid disruption of programs and activities or closing of the Museum.

In FY 1987 we have been able to initiate or supplement a number of high priority programs, because of the continued vitality of our auxiliary activities, such as the Associates, Smithsonian magazine, mail order, museum shops, records and books. This support extends to virtually all programmatic areas of the Institution, and includes funds for scholarly studies and fellowships, special exhibition and collections acquisition programs, and various educational outreach programs. Approximately $27 million in unrestricted funds will be available this year for these and other priority programs ranging in size from a $14,000 scientist exchange program with China to $826,000 for on-going operations of the Visitor Information and Associates Reception Center. We have also provided start-up funds in FY 1987 for a University of the Air, research on the evolution of terrestrial ecology, and an educational resource center at the National Air and Space Museum. Many other examples are included for your information in our budget justification.

Mr. Chairman, this is a brief update of where we stand in FY 1987. Let me now turn to a brief summary of the philosophy and approach we have followed in our internal deliberations on the FY 1988 budget. As we considered the many competing priorities, the ever-present spectre of Federal deficits was before us. We have sought to prepare a budget that realistically takes into account the present budget environment.

In this environment, we have given top priority to covering uncontrollable expenses and those activities required by law. The remainder of the budget has been structured to allow limited program growth in those areas of critical importance to the Institution. In addition, through a careful assessment of our base resources, we have sought every opportunity to redirect funds, from low priority activities and from certain nonrecurring costs, to new requirements, to higher priority activities, to promising new initiatives, and to support functions where troublesome budget deficiencies have existed for some time.

Efforts have also been made to ensure that we could provide an environment in which to foster important new research, maintain accountability for the collections, and establish those safety and security programs required by statute and regulation. Without a careful balance between the resources dedicated to these various efforts, it will be difficult to fulfill effectively our mandate to increase and diffuse knowledge in the years ahead. Having followed this approach, we are convinced that the Smithsonian Institution's FY 1988 budget request is realistic in the current era of constrained Federal resources.

In the Salaries and Expenses account we have requested a sum of $204.9 million. Attached to my statement submitted for the record is a detailed listing of each of our requested increases. In the interest of time, I will highlight the major components of our request.

My highest priority continues to be to strengthen research activities and related support for them. As noted earlier in this statement, this budget includes a redirection of funds from the closure of the Smithsonian Environmental Research Center's Rockville facility to provide a molecular capability in the Institution aimed at enhancing systematic and evolutionary biology. This new emphasis on molecular biology will blend the latest research techniques with the Institution's scientific efforts. Another research-related priority is the request for funds to furnish and maintain the Tropical Research Institute's new Tupper Laboratory and Conference Center, which will become operational by the end of FY 1988.

Also very high as a research priority in this budget is the request for additional staff to support new facilities at the National Zoological Park and to meet our obligation to providing safe and healthy care for the animal collection. With other funds requested in this budget we also plan to undertake a new research initiative in the areas of Arctic anthropology, archeology, and biology at the National Museum of Natural History. Research will be conducted by a National Arctic Studies Center -- a direct response to the Arctic Research and Policy Act of 1984 and concerns raised about the effects of economic development, urbanism, and communication on the Arctic region. In addition, the budget includes a request for the Smithsonian Astrophysical Observatory (SAO) to develop further technology for submillimeter receivers and to build receivers for use on existing telescopes. Funds are also requested for SAO to initiate work to upgrade its Multiple Mirror Telescope at Mount Hopkins, Arizona. Over the next several years, the current six mirror telescope will be converted, using new technology, to a much larger single-mirror telescope that will allow the Smithsonian Institution to retain its leadership in optical astronomy.

We cannot overlook our public obligation to be accountable at all times for the collections entrusted to our care. In recognition that collections are the foundation of research and museum work, we have also made provision in this budget for additional enhancements to base level inventory programs which have been established at the National Museum of Natural History (NMNH) and the National Museum of American History (NMAH) over the last several years. The enhancement of the base program at NMNH is essential to increase the level of refinement of the current inventory, while the enhancement for NMAH is important in that museum's efforts to eliminate the continually growing backlog of inventory records. We also have requested additional funds for the National Museum of Natural History to expand further automated inventory management and to pay related computer usage costs, and for the Freer Gallery of Art for collection storage equipment and furnshings.

The Smithsonian's FY 1988 request also emphasizes health, safety, and facilities issues. Specifically, the Office of Environmental Management and Safety is requesting new funds to address requirements related to the disposal of hazardous waste, asbestos abatement, fire protection and prevention, and hazard communication. We plan to strengthen our safety programs, as well as our facilities maintenance, planning and plant services programs through increased automation. We also must have additional staff to accompany the automated support for the Office of Facilities Services. Through additional personnel and automation, that Office will provide strengthened planning capability as we define short- and long-term physical requirements, assess alternatives and develop preliminary plans and cost estimates as necessary facilities modifications and additions are identified.

The FY 1988 budget request also gives high priority to ensuring that an adequate level of resources is made available in several other important support areas. For the past two years, the budget for the Office of Accounting and Financial Services has been inadequate to cover the actual costs of computer usage. The problem will worsen in FY 1988 if not addressed, since acquisition of new financial systems will require parallel processing for a period of three to six months. Second, in addition to funds redirected from within base resources to address the full staffing requirements of the Office of Protection Services, we are also requesting funds to eliminate a serious long-term imbalance in the resources available to adequately operate, maintain and service the Smithsonian's various facilities.

Funds requested in this budget will establish the necessary base for a fully operational level of program and support efforts associated with the Quadrangle. I would specifically call your attention to the need to create a stable funding base for the Directorate of International Activities. I am convinced, and hope you will agree, that the Institution must endeavor in the years ahead to ensure greater international emphases and balance among its various programs.

To plan and prepare exhibitions and events to commemorate the Bicentennial of the Constitution and the Columbus Quincentenary, the Smithsonian had some base funds provided for these purposes. However, in order to offer a full range of activities and events to celebrate these two important historic milestones, additional funds are requested to support a variety of programs at several of the Institution's museums and galleries.

The FY 1988 budget also contemplates additional support for educational outreach programs. With funds requested in this budget, the newly established National Science Resources Center, developed in conjunction with the National Academy of Sciences, will work in collaboration with state and local school systems, science museums, professional and scientific organizations, and scientists from universities and industry to organize programs to improve the teaching of science and mathematics. We believe that the Smithsonian is in a position to play an important national role in strengthening elementary and secondary education programs -- a matter of increasing concern among policy makers and educators over the past several years.

Finally, we seek the necessary funds to finance costs beyond our control that include legislated pay raises, workers' compensation, increases associated with the new Federal Employees Retirement System, utilities, and rent. I should mention one recent development in this area of our budget that gives us some concern. After we delivered our budget to Congress in January, we learned that OMB had recommended a change in the way funds for water and sewer payments to the District of Columbia should be appropriated. Instead of appropriating these funds in a lump sum to the District on behalf of users, OMB is recommending that effective in FY 1988 individual users make payments to the District based upon actual usage. We understand that the budget for the General Services Administration includes additional funds for facilities under their purview, but other government organizations that occupy their own facilities were overlooked. We are in the process of developing an estimate of this new cost.

The Smithsonian is requesting $14,254,000 in Restoration and Renovation funds, much of which is required to address only the most urgent of our ever growing backlog of serious facilities maintenance needs. Included in the request are projects estimated at $1 million or more for the National Museum of American History, the Smithsonian Institution Building, and the Tropical Research Institute. Also included in this figure is the second installment of $1,900,000 required to complete the replacement of all electrical transformers at the Institution which contain PCBs.

In the Construction account, we are requesting $4,470,000 to construct a new base camp that is more accessible to the Whipple Observatory. You will recall that this facility was authorized last year in Public Law 99-423, our "Science Facilities Bill." This base camp will be the operational and logistical headquarters for the scientists who work at the observatory on Mount Hopkins.

The request for the Construction and Improvements, National Zoological Park account, includes funding for the renovation of the final section of the Olmsted Walk prior to the 100th anniversary of the Zoo in 1989 and other renovation, repair, and preventive maintenance projects at the Rock Creek and Front Royal facilities.

Across the years members of Congress with responsibility for the Smithsonian and those of us responsible for its management have created a partnership that, like the Institution we serve, is vigorous as well as venerable. I can think of no other relationship that has so well stood the tests of time, of public service, or of a founder's vision, and am grateful, indeed, for the opportunity of working with you for such a noble purpose.

SMITHSONIAN INSTITUTION
FY 1988 Budget Request

OUNT, Bureau	Item	Dollars
SALARIFS AND EXPENSES:		
FY 1987 Appropriation		183,920
Supplemental Requirement		5,880
Uncontrollable Increases		9,813
PROGRAMMATIC INCREASES:		
Research		
Astrophysical Observatory	Instrumentation for Submillimeter-wave astronomy	252
Astrophysical Observatory	Conversion of the Multiple Mirror Telescope	525
Tropical Research Institute	Tupper Laboratory and Conference Center staffing	567
Tropical Research Institute	Staffing, furnishings for new facilities	144
Tropical Research Institute	Molecular evolutionary studies	800
Environ. Research Center	Redirection of funds for biological activities	(1,600)
National Zoological Park	Support for current programs	382
National Zoological Park	Genetic management of rare and endangered species	250
S.I. Libraries	Completion of retrospective conversion	(200)
S.I. Libraries	Redirection of funds to accelerate cataloguing materials	200
S.I. Libraries	Support for branch library at Museum of African Art	32
Museums		
eum of Natural History	Arctic archeology, anthropology and biology	200
Museum of Natural History	Collections management	160
Museum of Natural History	Computer hardware maintenance and replacement	47
Museum of Natural History	Columbus Quincentenary activities	48
Museum of Natural History	Molecular systematics laboratory	450
Air and Space Museum	Columbus Quincentenary world atlas	24
Museum of American History	Collections inventory support	93
Museum of American History	Columbus Quincentenry activities	58
Museum of American History	Redirection of Constitution Bicentennial funding	(450)
Museum of American History	Exhibition reinstallation program	227
Museum of American History	Center for the study of American history	76
Museum of American History	Master plan implementation	147
Museum of American History	Redirection of Duke Ellington funding	(200)
Natl. Portrait Gallery	Conservator	25
Natl. Portrait Gallery	Columbus Quincentenary activities	9

COUNT, Bureau	Item	Dollars
Natl. Portrait Gallery	Constitution Bicentennial program	111
Hirshhorn Museum	Columbus Quincentenary exhibition	23
Freer Gallery of Art	Collections storage equipment	100
Sackler Gallery	Redirection of Inaugural exhibition funding	(310)
Sackler Gallery	Enhancement of research capabilities	66
Sackler Gallery	Publications and public information programs	88
Sackler Gallery	Exhibition support	25
Museum of African Art	Annualization of FY 1987 approved positions (Quad)	96
Museum of African Art	Assistant for Central African art	25
Museum of African Art	Automated systems development	40
Museum of African Art	Funds for shipping major loan exhibitions	69
Anacostia Neighborhoor Museum	Termination of Carver Theater lease	(35)
Anacostia Neighborhoor Museum	Research and exhibition enhancement	35
Office of Exhibits Central	Exhibitions and program support	31
Office of Exhibits Central	Annualization of FY 1987 approved position (Quad)	10
Traveling Exhibition Service	Support for Quadrangle-related activities	48
Traveling Exhibition Service	Columbus Quincentenary activities	90
Public Service		
Office of Public Affairs	Redirection of one-time publicity campaign costs	(21)
S.I. Press	Redirection of one-time Columbus Quincentenary costs	(4)
Directorate of Interntl. Activities		
	Columbus Quincentenary activities	47
	Exhibition planning	110
	Tropical biological workshop development	30
	International Center programs	70
Special Programs		
Office of Folklife Programs	Columbus Quincentenary activities	39
Office of Fellowhips & Grants	Molecular biology research	100
Office of Symposia & Seminars	Redirection of Constitution Bicentennial funding	(100)
Office of Elem. & Second. Ed.	Redirection of Constitution Bicentennial funding	(11)
Natl. Science Resources Ctr.	Support for program activities	125
Administration		
Director, Facilities Services	Support for long-range facilities requirements	131
Ofc. of Personnel Admin.	Staff support due to implementation of new systems	56
Announting and Financial Svcs.	Computer costs	150
Announting and Financial Svcs.	Accounting Service Unit for Quadrangle	15
Procurement & Property Mgmt.	Support costs	108
Office of Safety Programs	Administrative officer	37
Office of Safety Programs	Hazardous waste program	112
Office of Safety Programs	Asbestos abatement program	132
ffice of Safety Programs	Fire protection engineer	42
ffice of Safety Programs	Hazard communication program	60
Office of Safety Programs	Computer equipment	71
Facilities Services		
Ofc of Design & Construction	Automated management and production scheduling system	75
Office of Protection Services	Annualization of positions approved in FY87 for Quad	207
Office of Protection Services	Guard positions for Quadrangle	165
Office of Protection Services	Redirection of funds: elimination of summer hours	(310)
Office of Protection Services	Redirection of funds: completion of Proprietary Alarm System	(356)
Office of Protection Services	Hire guard positions authorized by Congress	666
Office of Plant Services	Annualization of positions approved in FY87 for Quad	54
Office of Plant Services	Adequate base support	540
Office of Horticulture	Gardener and program support	40
Quadrangle Facility Mgmt	Annualization of positions approved in FY87	91
	SUBTOTAL, Salaries and Expenses	204,862

ACCOUNT, Bureau	Item	Dollars
CONSTRUCTION AND IMPROVEMENTS,	NATIONAL ZOOLOGICAL PARK:	
	Olmsted Walk - Phase III	2,600
	Renovation, repair, and improvements at Rock Creek	1,800
	Renovation, repair, and improvements at Front Royal	750
	SUBTOTAL	5,150
RESTORATION AND RENOVATION OF	BUILDINGS:	
	General repairs and improvements	655
	Facade, roof and terrace repairs	1,980
	Fire detection and suppression systems	2,385
	Access for disables, safety and security	950
	Utility systems repairs and improvements	5,560
	Other projects	2,724
	SUBTOTAL	14,254
CONSTRUCTION:	Whipple base camp	4,470
	TOTAL, SMITHSONIAN INSTITUTION	228,736

/1 Includes FY 1987 requirement for legislated pay raises, $3,047,000; increased costs associated with the new Federal Employee Retirement System, $1,971,000; and the restoration of the $862,000 transferred to the Restoration and Renovation of Buildings account in the FY 1987 appropriation process for construction activities transferred to SERC-Edgewater.

REVIEW OF REQUEST

Mr. Adams. In that case, I think we will be at your disposal for any questions you care to raise.

Senator Reid. Mr. Adams, we're trying to understand the overall strategy that you followed in overseeing the development and presentation of the Institution's 1988 budget. Your statement addresses in some detail the large number of issues you have to weigh while deciding on an approach.

I would ask your indulgence for a few minutes while I try to review what I believe to be important. Then we will have an opportunity to discuss these items in some detail.

I would include on my list of key items the need to maintain a safe workplace for both employee and visitor and emphasize the need for asbestos and polychlorinated biphenyls [PCB] removal programs, the need to maintain accountability in our collections in terms of what we have, where it is, what condition it's in, and to whom did we loan it or from whom did we borrow it, the condition of our buildings and our facilities, the need to hold costs to a responsible minimum in today's troubling times, and the need to provide for some research opportunities where the lifeblood of an institution is, growth and expansion.

There are many others that your statement addresses that I agree are key, but I won't mention them at this time. The discussion that I want to have with you today concerns a number of individual budget proposals, but those need to be kept in some sort of focus or taken in some sort of context.

I'm told that the Smithsonian has identified over 250 million dollars' worth of building maintenance and rehabilitation that has been foregone in earlier years.

I'm also told that our collection management systems are not able to keep current with the rate of accessions and are not going to be able to eliminate the collections backlog for a number of years.

For example, I understand that over 300,000 volumes are now in seriously deteriorated condition. Further, that it will be well into the 1990's before the removal of asbestos will be complete in Smithsonian facilities.

I also understand that it will be 1989 before all the PCB transformers are replaced or retrofitted.

My question is really a straightforward one about priorities. In light of these needs, why are we proposing to initiate such new activities as the conversion of the multiple mirror telescope to an untried large single mirror, establishing a molecular evolutionary study program at the Smithsonian at the Tropical Research Institute, establishing a new genetics lab at the zoo, establishing a new molecular systematics lab at the National Museum of Natural History, establishing a new National Arctic Study Center, establishing a new Center for the Study of American History, to spend $334,000 for programs to celebrate the 500th anniversary of Columbus' discovery of America.

Mr. Adams, having used the time normally reserved for the witness for an opening statement, I would appreciate your response. In a spirit of candor, my concern is not that the Smithsonian is requesting a few million dollars to be spent this year on new activities as much as it is that we will be prevented from making as much progress as we could have in addressing these very serious deferred needs that I listed. Also, these new initiatives will cost an increasingly large number in future years if we continue to deny money to these problem areas.

So after this long dialog, why did you set these priorities as you did?

BUDGET PRIORITIES

Mr. ADAMS. Mr. Chairman, I guess the first point in what I hope can be a fairly lengthy response to your inquiries that I would make is that the bulk of the gross increase that the Smithsonian requests is for items that in our view are uncontrollable. It should be stressed that we are not in a position to have any real effect on things like the cost of the Federal salary increases or the utilities increases that are anticipated or other items of that kind.

Furthermore, we are facing the addition to the Smithsonian roster of a new museum complex that will open in September of this year, a complex of which we are very proud but which then entails costs which add to the Smithsonian's budget.

So the impression that I'd like to correct—the misimpression that I'd like to correct is that the bulk of the gross increase is directed toward these new initiatives that you mentioned. I think that's not the case and that we are indeed talking about new initiatives but they need to be considered as representing a smaller part of the gross increase that you indicated.

The larger issue is one that I'd like to expand upon at some length because you are quite correct in thinking that in these difficult times we have examined our conscience and our activities with great care continuously throughout the course of the last year as we prepared this budget and I do think that you and the Congress are entitled to an accounting of the processes that we've gone through in shaping this budget request.

I think those have been much more systematic and participatory processes throughout the Institution than has been the case in the past and I think they have led to the preparation of a budget that we regard as a responsible document.

But let me now back off, if I may—rather than speaking to the specific points that you made which we will need to return to in detail—and speak to the larger question of how the Institution shapes its priorities.

I would like to make really five separate points in this respect.

The first is that the budgetary items as they appear in any budget, given an institution like the Smithsonian, are in some respects a misrepresentation. The activities of the Institution if we divide them into, let's say, four very broad areas—research, exhibits, the curation of our collections, and various forms of outreach—may look as if these are separate categories, but in fact they form a seamless web.

The people who carry them out in many cases are involved in at least two out of the four, often in three or even in four of the four. So the picture that the budget gives is, I think, somewhat unrepresentative of the way in which any institution as broad and as complex as the Smithsonian Institution must function.

I guess the issue that I'm particularly sensitive to and that has received a lot of attention during the year involves the balance of research and the collections that the Smithsonian is presently housing. I should stress the point that these collections, many of them, meet a national need. These are not there simply for the delectation of visitors, although of course we intend that they meet that opportunity also. In particular, the collections in the Natural History Museum are intensively studied—in fact, are studied in our own laboratories by scientists from the Department of Agriculture, the Fish and Wildlife Service, the U.S. Geological Survey, and the National Institutes of Health, for example. These are the systematic collections upon which other parts of the Government and other parts of the Nation's entire research establishments depend for the pursuit of their own concerns, many of them mission-oriented concerns that are directly within the set of functions that the Federal Government assumes.

The further general statement that needs to be made that bears upon our priorities is one that we draw from the Smithsonian's original charter. We have it as our responsibility to be concerned about the increase and diffusion of knowledge. Those we see as connected, as I said, but in fact that is a basic set of responsibilities that we set ourselves to meet.

A further point that I would make that is related to some of the specific ques~~tions you~~ asked has to do with how you shape an institution like the Smithsonian for the very long term and we must consider ourselves this year to constitute the national collections, to constitute an institution that will make a contribution over the very long term. That's been the understanding from our very beginning.

From that point of view, we need to be cognizant of what may seem at times to be opportunistic in the eye of a legislator but that nevertheless represents from the point of view of the Institution's responsibilities seizing unique opportunities or making sure that we take up unique responsibilities.

SACKLER COLLECTION

Let me mention two that have been much in our mind in the course of the last year—the opportunity to receive the Arthur Sackler collection of Near Eastern and Far Eastern antiquities, which led to the building of the quadrangle that we are now about to open, represented an enormous set of additional responsibilities for the Institution, but it was one which we either had to move with at the time—which was before I came to the Smithsonian—or lose altogether.

That was a choice that was made, and I think correctly made. In the eyes of the world, there will be no doubt that it was correctly made, but in fact it laid upon the Institution a wider set of responsibilities at a time when indeed it could already have been said that we were going to be faced with increasingly complex problems of meeting our basic maintenance needs.

BIOLOGICAL DIVERSITY

A second example is one that's mentioned in my opening statement. It has to do with a symposium that was directly sponsored by the Institution and the National Academy of Sciences last September on the emerging world problems of the degradation of tropical forests—in fact, of biological diversity in many settings, including in this country also. This is an area for which the Institution with its history, with its staff of specialists, particularly in the Natural History Museum, is uniquely equipped to make a contribution and we are preparing ourselves to do so. And I think we really have no choice—when that kind of a world problem emerges and we have the largest collection of talent that can bring itself to bear upon that problem—except to make a contribution to it.

So that these two, it seems to me, are illustrative of a situation which we must face as it occurs and as opportunities arise, even though this presents, we recognize, very great problems.

That particular problem of biodiversity touches upon the central activities of our Tropical Research Institute in Panama to which you made reference in your initial question.

Last, it seems to me—and here we touch on something really quite fundamental from my own viewpoint—it seems to me that institutions are in danger of dying if we consider them only as fixed capital investments, if we think only of the structures they occupy and the condition of those structures. Not that we can turn away from that set of problems, not that we are not responsible for addressing any questions that you may have about them, but beyond the fixed investment—first of all, our collections are much more dynamic in character. They change over time. We hope they grow and the problems of those collections change as new methods come forward with which we study them and those methods, in turn, have to be employed.

That directs itself to the question of the introduction of new capabilities in the field of molecular biology if we are to continue our work in the Tropical Research Institute, for example.

HUMAN CAPITAL

I have only one more point and I'm sorry I've taken such a long time, but beyond all these, there is another form of capital and it's one which I feel particularly conscious of, and that's human capital. That is the capital represented by the staff of curators and scientists and scholars who make up a living core of the Institution, and one must husband that core, one must give them at least modest opportunities to move ahead in their own fields or it seems to me that the Institution will have become a shell, not something of which the country could be proud.

I'm sorry I've spoken at such length, but it does seem to me that this is important.

Senator REID. We wanted a lengthy answer and also I'd appreciate it if you would look at your answer and determine if you would want to elaborate on it. If so, we would welcome it.

[The information follows:]

SUPPLEMENTARY STATEMENT ON SMITHSONIAN BUDGET PRIORITIES

The Smithsonian's mandate for the increase and diffusion of knowledge is drawn from the Institution's original charter. Inherent in this broad statement of purpose are a basic set of responsibilities that guide the long-term program direction and priority setting for the Institution. First and foremost, the Smithsonian has always been a research center, investigating the many disciplines in the natural, technological and social sciences, and expanding the frontiers of basic knowledge. From the start, the Smithsonian was also delegated the legal responsibility to serve as the official repository of the national collections, presently containing more than 100 million art, technological and cultural history objects and natural history and anthropological specimens and artifacts. The third major responisbility of the Institution is to disseminate the results of this research and study of the collections to the scholarly community and to the general public, through publications, lectures, symposia and seminars, exhibitions and other presentations. Finally, the fourth major responsibility, the maintenance and renovation of the Institution's facilities, has become more critical as these facilities age and as the cost of upgrading building systems and replacing structural components increases.

Because of the budgetary constraints that face the Institution, these four responsibilities compete for scarce resources. Through the budget and planning process, the Smithsonian strives to keep a careful balance between these competing demands for funding to ensure the most effective distribution of these resources. The budget formulation process for the Institution's Federal and nonappropriated trust fund budgets is based on the understanding that only very limited program growth is possible and only in those areas of critical importance to the future of the Institution.

During the internal development of the budget request, Smithsonian management at all levels of the Institution participates in the identification and evaluation of priority needs and the most effective use of available resources. The Smithsonian utilizes various management techniques to analyze and set priorities for its budgetary requirements, including the establishment of a 5-year planning process and zero base budgeting.

To provide adequate funding to carry out its basic responsibilities in the future, as well as respond to the challenges presented by the expanding frontiers of research, the Smithsonian continually reevaluates priorities and appropriate allocation of its resources.

MULTIPLE MIRROR TELESCOPE CONVERSION

Senator REID. Now I want to make a few specific comments and questions. One question I have relates to the telescope that you talked about in your statement and that you have in the budget. Why are we being asked to fund an experimental ground-based optical telescope when we hear so much from the Technology Committee of the House where all this exploration will take place as it relates to astronomy with space-based observation platforms?

Mr. ADAMS. Rather than give an answer myself, although I think I know the rudiments of one, I'd rather call upon Dr. David Challinor, who is our Assistant Secretary for Research.

Mr. CHALLINOR. Mr. Chairman, I am David Challinor, the Assistant Secretary for Research.

In answer to your question, the space telescope which, God willing, we hope will be launched sometime in the 1990's, is terribly expensive. We're talking about hundreds of millions of dollars to get that up.

Land-based telescopes are now completely booked and the investment in land-based telescopes are fractions of a percent of the cost of a large space telescope.

So one of the reasons we are pushing for the conversion of the multiple mirror telescope is for a relatively small investment we anticipate getting enormous benefits with the new technologies we now have for land-based telescopes.

Senator REID. Let me ask you then, how risky is the telescope and the new instrumentation connected with the telescope? Do we have any like it anyplace else in the world?

Mr. CHALLINOR. The new land-based telescope that we are proposing, the 6½ meter one, will indeed use a new technology just as the existing multiple mirror telescope used a new technology when that was built and commissioned in the mid-1970's.

We will be taking a certain risk obviously in building this new telescope with the new technology we propose to use. We believe very strongly it is worth every bit of the investment we will put in to build such a telescope.

Senator REID. On page 31, the justification states, "The use of SAO submillimeter receivers on existing telescopes will be of unquestioned scientific importance."

It goes on to say that several existing telescopes are expected to be available for use for SAO submillimeter wave length receivers, including the telescope that is the largest in the world.

Why shouldn't we fully fund the development and deployment of submillimeter receivers for use on existing telescopes but not construct an additional telescope targeted specifically at submillimeter observations?

Mr. CHALLINCR. Mr. Chairman, Dr. Shapiro, Director of the Astrophysical Observatory, is in the room today. I might ask him to explain the technical point. I'd be prepared to take a stab at it, but I'd like your permission to ask Dr. Shapiro.

Senator REID. Please have him come forward. Do you need a microphone?

Mr. SHAPIRO. Probably not. That is, I don't need one. [Laughter.]

I may not have understood your question correctly.

Senator REID. I was afraid you would say that.

Mr. SHAPIRO. Let me try and paraphrase it, then you can tell me if I have the right idea.

I understood you to say why should we build submillimeter receivers only and not build telescopes with which to use them. Is that a fair paraphrase?

Senator REID. Or why shouldn't we go ahead with the latter and not this?

Mr. SHAPIRO. In point of fact, we have every hope of going ahead with the latter and what we hope to build is not a single telescope but an array of telescopes which will give us much higher angular resolution—that is, we will be able to see much, much finer detail with the array of telescopes than with any single telescope. And we have plans for doing that and they are alluded to—in fact, mentioned explicitly in the submission in front of you.

SUBMILLIMETER INSTRUMENTATION

Mr. ADAMS. I think the further point that may represent a confusion here is that existing optical telescopes cannot be used for receiving submillimeter length emanations from space. This has to be studied with a special receiver.

Senator REID. How will this telescope compare to the ones we hear a lot about in Hawaii?

Mr. SHAPIRO. Which telescope are you referring to? Are you referring to the conversion of the multiple mirror telescope or are you talking about the telescopes which we have proposed to use at submillimeter wave lengths?

Senator REID. Yes; the ones you've proposed to use, yes.

Mr. SHAPIRO. There are at present in the world several single telescopes which are sensitive to submillimeter wave lengths.

Senator REID. Is that the one in The Netherlands and the one in Hawaii?

Mr. Shapiro. There are two in Hawaii, one built by Cal Tech which is nearing completion, and one built by a British-Dutch-Canadian consortium, which is still not quite completed but is close to completion. But those are single instruments, single telescopes.

What we propose is a set of smaller telescopes but spread over a larger area, perhaps placed in Hawaii as well. These would give us more than 10 times the angular resolution—that is, we'll be able to see details, for example in the formation of stars, at 10 times the resolution that would be obtainable with the single telescopes and it would represent a unique instrument in the world.

Senator Reid. Thank you very much.

Mr. Adams, on page 33, there is a statement that the Smithsonian plans to spend $535,000 in fiscal year 1987 to order glass needed for the mirror. Is the use of the nonappropriated funding subject to the committee's reprogramming procedures?

Mr. Adams. No; nonappropriated funds are not, sir. They come under the discretion of the regents of the Smithsonian.

FIRE PREVENTION

Senator Reid. I note another $50,000 is requested to upgrade the existing fire protection system to a halon system at the Whipple Observatory.

Do we have other Smithsonian facilities that do not have adequate fire prevention systems?

Mr. Anderson. There is a major program we've been engaged in for a number of years, largely to bring under greater and greater control the fire detection and prevention capabilities in all of our facilities, starting with the most sensitive areas first and moving as we can without disrupting all activity in our buildings into the less sensitive areas as time goes on.

A halon system—I'm not quite sure which page you are looking at——

Senator Reid. Page 225.

Mr. Anderson [continuing]. Would generally be used in a controlled smaller space, particularly for things like rare books or flammable organic materials. Let me see if I can find the specific reference.

Senator Reid. I think you've given the answer to the question. I just wanted to be sure that there's an ongoing program to make sure there are adequate fire prevention systems, and you indicated that you're working on that.

Mr. Anderson. Yes, indeed, sir.

TUPPER LABORATORY AND CONFERENCE CENTER

Senator Reid. Let's change our attention now to the Tropical Research Institute. The Smithsonian has a new Tupper Laboratory and Conference Center for STRI under construction.

What facility does the new one replace, if any?

Mr. ADAMS. I beg your pardon. I'm afraid I missed the wording of your question.

Senator REID. OK. It's my understanding that the Smithsonian has a new Tupper Laboratory and Conference Center for STRI under construction.

Mr. ADAMS. That's right.

Senator REID. Does this facility replace one or is it a new facility?

Mr. ADAMS. I think I'll ask Mr. Challinor to answer that one.

Mr. CHALLINOR. It is both, Mr. Chairman. There never was an adequate conference center. There was a small room that was used in an existing building originally belonging to the Gorgas Memorial Hospital that the Smithsonian Tropical Research Institute used. That particular building was built in the time of World War I. It was used for many years as the morgue. It's completely inappropriate for the kind of research we would like to do.

As a result of Mr. Tupper's gift of $4 million, we did break ground last month in Panama, and about 1 year from this June we expect a new building to be built which will replace some old laboratories plus create some new ones.

Senator REID. How large will it be?

Mr. CHALLINOR. We will be able to house a total of about 24 scientists. It will be four or five stories high, and is being built into the side of a hill. It will be on the site of the old wooden Tivoli Hotel that was built for Teddy Roosevelt when he came down to start the canal. The termites finally got that building and we at the Smithsonian received that very prime site from the Government of Panama during the negotiations for the treaty.

Senator REID. When do you think it will be occupied?

Mr. CHALLINOR. We hope to have that building completed by the summer of 1988, 1 year from this summer.

Senator REID. Do you think that date will be met?

Mr. CHALLINOR. We are optimistic. It depends how rainy the rainy season is but based on our past experience we think that is a reasonable estimate.

Senator REID. We're concerned, of course, because of construction slips. Maybe we could also slip the funding for the furnishings and staff until the facility is completed which would give us another year or two.

Mr. CHALLINOR. We anticipate, in all honesty, that we should start moving in the end of June 1988.

GENETICS PROGRAM AT THE ZOO

Senator REID. Let me switch now to the Zoological Park. As I indicated in my opening statement, the zoo is requesting an increase which includes, among other things, $250,000 to establish programs in molecular genetics and the genetic management of rare and endangered species.

How is the zoo currently managing the genetics program of rare and endangered species and what would happen if we just continued on the present course?

Mr. ADAMS. I think I would ask Dr. Michael Robinson, who is the Director of the National Zoo, to come to the table with information on that.

Senator REID. Mr. Robinson.

Mr. ROBINSON. It's very difficult for me not to advertise our present success in trying to justify this expense. We are doing an extremely important program in genetics at the moment. It turns out, for instance, that the cheetahs in Africa are all very closely related and we know that they have been through a kind of population gap and you can actually cross-graft skin from one cheetah to another in west Africa, east Africa, and South Africa and it isn't rejected. You can only do that to identical twins in human beings and our scientists made this amazing discovery. West Africa is incorrect—east Africa and South Africa. We are getting great results.

After those results, we need to go into the molecular field from the purely superficial, if you can apply that to the skin grafting. This money is not new money asked for the first time, but reprogrammed money from the Radiation Biology Laboratory. So it doesn't represent a net increase in the Smithsonian budget.

Senator REID. What would happen if we did not fund this additional money but just went on as is? What would occur?

Mr. ROBINSON. We would lose the opportunity to help save many endangered species by applying molecular techniques to the study of their genetical composition; to problems of inbreeding; and to problems concerning their propagation. When you're on the cutting edge like this and you think the only way you can really extend things is to develop constantly new programs—I think this is true of any field of science—that once you've succeeded, then you open new doors in every direction and you need new chances, as Mr. Adams said earlier, to give the staff this challenge to their existing expertise.

FRONT ROYAL BREEDING FACILITY

Mr. ADAMS. If I could add a comment, Mr. Chairman, we pride ourselves at the National Zoo in doing more than maintain an entertainment facility. This is a place where there is genuine concern for the species as well as for the individual specimens that make up that zoo. It is a major center for work in reproductive biology. It maintains a shy breeding facility in Virginia.

Senator REID. What kind of a breeding facility?

Mr. ADAMS. Shy, for animals that have to be kept away from the public in order to reproduce themselves. This is an area in which there is a tradition for Smithsonian work and I think what is being described here is an expansion of a tradition rather than a new one.

CATALOGING PROGRAM AT SMITHSONIAN INSTITUTION LIBRARIES

Senator REID. Let's talk about your libraries for a minute. There are moneys requested to be used to accelerate the cataloging of uncataloged materials. Is this acceleration a level of effort request or is there a specific supporting analysis that was used to compute the amount of the increase? How did you arrive at this figure?

Mr. ANDERSON. You're speaking of the $200,000, Mr. Chairman?

Senator REID. $141,000.

Mr. CHALLINOR. We reprogrammed $200,000 as the result of the finishing of one effort in cataloging. This is part of a very long-term plan we have to get all the library books properly cataloged.

I'm a little puzzled. The $141,000, if I understand correctly, is the middle column total on page 59.

Senator REID. Yes; is that a round figure that you're looking at as it relates to cataloging? Staff tells me the figure that you mentioned earlier, the $200,000, is rather than the $141,000. So I missed by $59,000. But tell me is this money going to be used, for example, to catalog rare books? For what purpose is it going to be used? Is there a program for this money?

Mr. CHALLINOR. Yes; there is very definitely a very specific program for the use of this money. The main problem now is to use the new technologies we have for cataloging, such as bar graphs, actually put bar graphs on the backs of books, just the way they do in the supermarket, now to find books more easily. This is part of a major program at the Smithsonian to bring all the cataloging technology up to the latest improvements.

Senator REID. Will this be contracted or will you use the staff that you have?

Mr. CHALLINOR. It will be both contracted and by the staff.

MOLECULAR SYSTEMATICS LABORATORY AT NATURAL HISTORY MUSEUM

Senator REID. The National Museum of Natural History, you're requesting here an increase of almost $1 million. Of the total increase, $450,000 is proposed to establish a molecular systematics laboratory.

What, in short, will the new lab do for the Natural History Museum?

Mr. CHALLINOR. This $450,000, Mr. Chairman, was reprogrammed by the Smithsonian to bolster an existing program at the Natural History Museum that is directed toward the use of biogenetics and understanding the relation of one animal unto the other.

In the past, the tradition of describing a bird or mammal was to use its external characteristics, the length of its bill or the size of its head or what not. Now we have learned that through the use of molecular genetics we can find relationships between these animals that are not readily evident on the outside, what we call their external morphology such as their fur color and their general shape.

So this is to support an existing program that has gone on several years, but is giving us a new opportunity to understand the evolution of birds and animals and all living organisms.

COLLECTIONS MANAGEMENT

Senator REID. The Natural History Museum has a sizable backlog of collections, and some of the other museums do also, that are not cataloged and, therefore, not accessible to the scientists, nor is the condition reliably known to the conservatorial staff.

Is that an accurate statement?

Mr. CHALLINOR. They always have collections waiting to be cataloged, Mr. Chairman. I don't think we could say they are permanently inaccessible to the scientists who want to use them because it's always a perpetual game of catchup, but we feel that we are in the position that we are close enough to complete cataloging as we will ever get. We are not falling behind is what I'm saying.

Senator REID. Are you gaining or losing on this program?

Mr. CHALLINOR. I think we are gaining because of the new technologies we have and by computerizing our catalogs.

Senator REID. Is any of this increase going to be devoted to collections management activities?

Mr. CHALLINOR. Yes; we will have $160,000 for collections management in natural history. On page 70, we describe exactly what we will be using that for.

Mr. ADAMS. Mr. Chairman, I would suggest that the notion of inaccessibility is always a relative one. The material that has not yet been cataloged was not for that reason inaccessible to the curators who are immediately working with it or the people who really are very much concerned with a special area of it because they in turn can get access to it through the curators who know it already. It's the catalog that makes it much more generally available. I'm not deprecating the need for a catalog. I'm only saying that the material is still accessible even if it is not yet cataloged.

We are dealing with several million objects a year that are being added. It's not a simple problem.

NATIONAL ARCTIC STUDY CENTER

Senator REID. Mr. Adams, in your opening statement which you submitted for the record, there was a statement to a National Arctic Study Center. So it appears not only are we establishing a new lab or two in the Smithsonian this year; we are also establishing a National Arctic Study Center.

Is new construction contemplated for this new center?

Mr. ADAMS. Not to my knowledge, sir. I don't believe so.

Senator REID. Where will it be located?

Mr. ADAMS. In the Museum of Natural History.

Senator REID. What is it about?

Mr. ADAMS. A center is one of those elastic terms which can serve a variety of uses. It can imply an architectural structure of some sort. It can also imply a nucleus of activity. And we have a good deal of scattered activity that's already going on in the Arctic. We are anxious to make that more visible, to give it focus. To do so, you can call something a center, which is a name on the door, and the designation of a person as the head of the center and some additional level of research activity that goes on through that center.

What we are describing here is much closer to the latter than to the former. We certainly do not anticipate any construction.

DUKE ELLINGTON COLLECTION

Senator REID. There's an interesting item in the budget that relates to the Duke Ellington collection. How does the level of money for the Duke Ellington collection compare to other collections contemplated by the American History Museum?

Mr. ANDERSON. I think it's fair to say, Mr. Chairman, that the Duke Ellington collection was one of those unusual opportunities of which the Secretary spoke in his answer to your first question, which when it comes along, an organization like the Smithsonian has an obligation to try to act. And in this case, with the assistance of our friends on the House side, Congressman Yates, and the activities of his Appropriations subcommittee, we were able to seize this opportunity and to secure a major collection with regard to the cultural history of the United States for future generations. It is not indicative of the normal level of expenditure for collection acquisition by that museum, but I'm sure if Roger Kennedy, its director, were here, he would make an impassioned statement to the effect that he wished he had that kind of money every year, and more of it, to pursue acquisitions for the collection.

TRAVEL BUDGET OF THE HIRSHHORN

Senator REID. Tell me about the Hirshhorn travel budget. Why is it as big as it is and what would it have to do regarding the quincentennial of the discovery of America?

Mr. ANDERSON. The Hirshhorn, Mr. Chairman, is one of our art museums which has as its charter modern and contemporary art worldwide, not just in this country. Accordingly, in order to do research and keep up with a field that is rapidly changing in many parts of the world, it's necessary to get out and about on the part of the professional curatorial staff. Sitting in Washington, relying solely on library resources, really does not do the trick if one is trying to piece together a thoughtful exhibition program for the future. It's necessary to get to the artists' studios, to get to the dealers' shops, and view fresh work firsthand.

Mr. ADAMS. I might go a step further, Mr. Chairman, and say that the director of the Hirshhorn Museum and a member of his staff are scheduled to depart for the Soviet Union within days now in order to pursue an opportunity that opened up just a couple of weeks ago at a time that I was carrying on some discussions with the Ministry of Culture there. We have a real opportunity, perhaps the first ever in fact, to bring to this country exhibits that the Russians have never allowed their own people to see of some of the pioneering work in modern art that was carried on early in this century from about 1900 to 1930 in first Russia and then in the early years of the Soviet Union.

That's an extraordinary opportunity. It's work that the Russians are still very ambivalent about themselves. They need to be because some of the major artists who were involved disappeared in the Stalinist purges. But it is art that by all accounts is of extraordinary quality and importance and I think the fact that the Hirshhorn has an opportunity to obtain a collection of this kind for exhibit in this country, a unique opportunity, is indicative of the role that that museum can play and of the need for its travel plans.

GRADE CREEP

Senator REID. On pages 12 and 13, your justification addresses the proposed budget reductions of $373,000 as a result of OMB's efforts to reduce average grades.

Mr. Adams, has the so-called grade creep been a problem at the Smithsonian?

Mr. ADAMS. Mr. Chairman, I must confess being extremely uncomfortable about the approach that is widely taken in this city to questions like grade creep. They may indeed be very legitimate and necessary questions in those functions of Government that require an ongoing stable bureaucracy, but the nature of the Smithsonian is one in which we need specialists in which the quality of the work done by specialists is frankly superior to that done by people who do not have that specialized training.

In a sense, it's very difficult for me to cope with the problem of grade creep as a real problem for a research institution with major public outreach responsibilities.

SUMMER HOURS

Senator REID. Is the Smithsonian problem with summer hours one that reoccurs?

Mr. ADAMS. The problem with summer hours is one that is always with us. For the coming summer, for example, as a result of having had a relatively mild winter, we anticipate being able to apply savings made from our utility accounts.

We have to be conservative as we plan for future years. We cannot anticipate that we will have such savings. So it's very difficult for me to make a prediction at this point as to what will happen in the summer of 1988.

ADDITIONAL COMMITTEE QUESTIONS

Senator REID. I really appreciate your testimony and that of your associates today. The committee will have a number of other questions that the subcommittee and the members of the subcommittee will submit to you, which we would appreciate your prompt response to.

Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Conversion of the Multiple Mirror Telescope

Question: The Fred Lawrence Whipple Observatory on Mt. Hopkins, Arizona, is operated jointly with the University of Arizona. Funding is proposed for design work necessary for conversion of the Multiple Mirror Telescope (at an estimated 1988 cost of $525,000), and for continued work to develop instruments needed for use in the field of submillimeter astronomy (at an estimated cost of $252,000). What is the scientific justification for converting the existing Multiple Mirror Telescope to a single mirror?

Answer: The scientific justification can best be understood in the context of the differences between the existing and the proposed telescope. The converted MMT would have twice the collecting area of the present instrument and be able to observe nearly one hundred times more of the sky at any one time.

This wide field of view of the converted telescope would allow observation of many objects simultaneously and, for certain types of problems, would realize up to a hundredfold increase in efficiency of data collection over that now possible with the MMT. This new capability would be especially beneficial for the study of clusters of stars and galaxies, where upwards of one hundred objects of interest might be examined simultaneously. Projects such as studies of the dynamics of clusters of stars, in which SAO scientists have been very active, and which require many nights on the MMT, could be completed in a few hours. The similar study of clusters of galaxies, hitherto prohibitively demanding of telescope time, also becomes feasible. These latter investigations may hold the key to our understanding of how most of the matter in the universe is distributed. This distribution has a fundamental bearing on the evolution of the universe, in particular on how galaxies formed--a basic question that has baffled scientists for decades.

The increased collecting area of the converted telescope would allow data of the same quality as now obtained to be gathered on objects 2.5 times fainter. This improvement would allow the converted telescope to be used in many new areas of research, where the present telescope is limited by the extreme faintness of the objects involved. The added light-gathering power means that more than twice as large a part of the universe is accessible for study than is now possible. SAO has already established itself as a world leader through the discovery and study of the "bubble" structure of the universe, and expanding such studies beyond the MMT's present horizon will be very important to determine if even larger structures exist; if they do, our understanding of the evolution of the universe might again have to be entirely rethought. In addition, it would be possible to measure the velocities of gas in very distant galaxies. These velocities, which are often related to the intrinsic brightness of the galaxies, can then be compared with their apparent brightness to determine their distances. This technique allows us to determine the rate of expansion of the universe when it was younger, another critical measurement for understanding the evolution and ultimate fate of the universe: will it continue to expand forever, or will it eventually collapse?

The increased collecting area would also provide the converted telescope with the capability to gather data much faster than is possible with the MMT, and, for the first time, too, allow the study of certain rapidly changing astrophysical phenomena. In such cases, changes occur too rapidly to be studied with any of today's telescopes; for example, some of these rapidly changing processes take place in double stars whose members are so close to each other that their surfaces almost touch, and in systems with one star whose core is so dense that not even light can escape from it -- a black hole. Such systems give rise to very unusual conditions, the study of which would allow us to gain insights into new physical processes.

These examples provide just a small sample of the scientific justifications for the conversion of the MMT. A conference held at SAO in April 1986 resulted in a 50-page proceedings which discusses in more detail the various justifications for the conversion. A copy of this document is being provided to the Committee.

Question: Has the existing multiple-mirror configuration been successful?

Answer: The MMT successfully pioneered a variety of technological advances that will be incorporated into many of the telescopes now under design or construction. Among these features are: (1) a building that rotates with the telescope and therefore allows the use of a much more compact and less costly structure than had prior designs; (2) a mounting for the telescope that is a fundamental departure from the design of optical telescopes built before the MMT. This design substantially lowers the cost of supporting and pointing the telescope; and (3) several lightweight mirrors working together that provide a collecting area equivalent to that of a single, and necessarily much heavier and more costly, mirror. Many of these features will be adopted by the next generation of telescopes. For example, all of the largest new telescopes will incorporate the MMT's design for mounting, and the National New Technology Telescope planned by the National Optical Astronomy Observatories, will incorporate the multiple mirror design.

The success of these design innovations are demonstrated in the operation of the MMT. The MMT is now one of the most efficient and scientifically productive telescopes in the world. The MMT has also proved to be very reliable, losing only 1% of the time scheduled for research because of telescope related problems.

The success of the MMT is primarily evinced by its usefulness for scientific research. Over one hundred astronomers make use of the MMT each year; nearly fifty papers have been published in each of the past three years detailing studies made with the MMT.

Among its many accomplishments, the MMT was used to study the spectra of the "twin" quasar, which demonstrated for the first time the existence of gravitational lenses in space as predicted by Einstein's theory of general relativity. Several more of the handful of presently known gravitationally imaged quasars were also discovered by the MMT. The MMT has carried out pioneering studies of distant galaxies that allow inferences to be drawn about the presence of matter that does not emit light and hence cannot be observed directly. Discovering the nature of this matter is of fundamental importance for understanding the dynamics of galaxies and the origin of the large-scale structure of the universe, since it appears from other studies that as much as ninety percent of the matter in the universe does not emit light.

Question: The total estimated cost is anticipated to be $10 million, between 1988 and 1992. How much is to be Federal appropriations, and how much is to be from other funding sources? Have any funds been expended to date?

Answer: It is anticipated that almost all of the funds would be from Federal appropriations. At this time, the Institution has no specific plans for allocating Trust funds to this conversion project other than those set aside to contribute to the purchase of glass and refractories. No funds have been expended to date.

Question: What will be the role of the University of Arizona in cost-sharing on the construction costs?

Answer: The University of Arizona's main contribution will be in casting and polishing the large mirror. To this end, the University has already invested approximately $5 million in a major mirror-casting facility and about $0.5 million in the development of polishing techniques for large mirrors. The University is currently seeking an additional $3 million to build a mirror-polishing facility based on this development, and is also supporting nearly $0.75 million in annual costs for this mirror facility. (After casting and polishing the proposed 6.5-meter-diameter mirror for the MMT, this facility will be utilized for the production of even larger mirrors, up to eight meters in diameter.)

Research in Submillimeter Wave Astronomy

Question: The Committee provided $150,000 in 1987 to begin developing receivers related to submillimeter instrumentation. The 1988 increase of $252,000 is to be additional, for a total program funding level of $402,000 in 1988, isn't that correct?

Answer: Yes. The requested increase will result in total program funding of $402,000 in FY 1988.

Question: What has been done to date with the 1987 funding?

Answer: The $150,000 is being used to (1) hire a person with appropriate skills for research and development work in submillimeter-wave instrumentation, (2) provide funds for this person to begin equipping a laboratory for development of such instrumentation, and (3) pay the relatively minor ancillary costs associated with this development. A suitable candidate has recently been recruited and laboratory space identified.

Prospects of Shared Funding of MMT Conversion

Question: I understand that the construction of the new telescope will have significant benefits for other large diameter mirrored telescopes to follow. What is the chance for pooling resources to share the risk of an admittedly risky technological venture?

Answer: The MMT is supported jointly by the Smithsonian Institution and the University of Arizona; cooperation would continue for the conversion project. This conversion, as was the original MMT, is a pioneering venture of these two institutions. There is no desire on the part of either institution to involve others in the project--the amount of time available on the completed telescope would be too small to meet either institution's scientific needs were it to be shared among more institutions. For the same reason, no other institutions planning large telescopes are interested in joining with us.

Condition of Whipple Observatory Facilities

Question: There are several other funding increases related to the Observatory this year. For example, I understand that $40,000 is requested in the Restoration and Renovation of Buildings account to improve the access roads at Mt. Hopkins. What is the overall condition of facilities on Mt. Hopkins?

Answer: The access roads require continual maintenance and the $40,000 is the annual cost of such maintenance. Further, some sections of the access road are in need of replacement, as is the ridge dormitory (see below). The remainder of the facilities are in reasonably good condition.

Manufacture of MMT Mirror

Question: The justification states, on page 33, that the Smithsonian plans to spend $535,000 in 1987 to order glass needed for the mirror. In this instance, does the ordering of the raw glass make it more likely that Congress would have to agree to the conversion of the existing telescope to a single mirror configuration?

Answer: No. None of the currently available funds have been spent to date. Further, we do not anticipate that it will be necessary to commit these funds before Congressional action on the FY 1988 budget request.

Question: What form of Congressional concurrence will be sought?

Answer: We seek concurrence in the form of approval of the requested $525,000 in the FY 1988 budget for design studies relevant to required modifications to the telescope housing and for fabrication of a support for the mirror during grinding. The $10 million total cost to the Smithsonian of the project is also mentioned in this budget request; approval will be sought in subsequent years for the remainder of this total.

State of Fire Prevention Systems at Smithsonian Facilities

Question: Another $50,000 is requested to upgrade the existing fire protection system to a halon system. Do we have other Smithsonian facilities without adequate fire prevention systems?

Answer: The original Observatory construction occurred prior to the plan review program of this Office. Some fire protection (smoke detectors) was included in the original construction but a more sophisticated system is needed to adequately protect the current personnel and equipment. All SI facilities have fire protection systems but many need improvements and/or additions. The fire protection master plan of each facility identifies improvements that are necessary. Additional information on needed improvements for fire protection systems is provided as part of the chart on hazardous conditions in a subsequent question.

Whipple Observatory Dormitory

Question: Another $800,000 is requested for the construction of a new dormitory to replace the one constructed in 1973 on Mt. Hopkins. Is the need for the replacement facility based on inadequate maintenance since 1973, or is the location and size really the cause for the new construction proposals?

Answer: The Forest Service has expressed concern that the location of the dormitory is in a natural "chimney," making it particularly vulnerable to fires. Moreover, the dormitory was viewed as only a temporary facility when it was first erected. It is a prefabricated structure with insufficient space for the people who need to be accommodated.

Question: Have you considered the option of adding onto the existing dormitory facility, rather than building a new one? How do the costs compare? Will the existing dormitory space continue to be used?

Answer: This option was not considered because the present location of the dormitory poses a fire hazard. The existing structure will be demolished.

FY 1988 R&R Request by Facility

Question: For the record, would you prepare a crosswalk, by facility, of all R&R budget requests for Smithsonian facilities.

Answer: The accompanying report, prepared by the Office of Facilities Services dated December 19, 1986 provides this information for all projects requested in the FY 1988 budget. These projects are listed, first, by Smithsonian bureau (e.g., National Museum of American History) and, second, by Category (e.g., General Repairs and Improvements).

($000s)

December 19, 1986

FY 1988 Restoration and Renovation Projects

Facility/Project	Category	Amount
National Museum of American History		
Fire Detection & Suppression	Fire	500
HVAC Improvements/Relocation of Space Functions	Utility	1,600
Mezzanines	Other	300
Electrical Switchgear Replacement	Utility	400
National Museum of Natural History		
Fire Protection Plan Implementation	Fire	400
HVAC/Energy Implementation	Utility	475
Smithsonian Libraries		
Renovation at NMNH, Phases IV & VI	Other	215
Smithsonian Institution Building		
Smoke Detection/Sprinklers/Fire Zones	Fire	250
Facade Restoration (Masonry)	Facade	50
Window Replacement	Facade	1,250
Structural Inspection & Pre-planning Study	Other	100
Arts & Industries Building		
Utility Tunnel Repair	Utility	100
Fire Detection & Suppression	Fire	100
American Art/Portrait Gallery Building		
Fire Protection Improvements	Fire	225
General Repairs & Attic Storage Space	General	230
Renwick Gallery of Art		
Fire Protection Improvements	Fire	215
National Air & Space Museum		
Fire Protection Master Plan Implementation	Fire	350
Emergency & Handicapped Door Replacement	Access	30
Facade Repairs, Water Intrusion	Facade	200
Freer Gallery of Art		
Modify Steam Heating System	Utility	50
Silver Hill Facility		
Safety Rails, Buildings 15, 16, 17, 18 & 19 (MAH)	Access	170
Bldgs. 15 & 16 Sprinkler System Expansion (MAH)	Fire	50
Silver Hill Fence & Road Program	General	50
Exterior Maintenance, Building 10	Facade	30
Museum Support Center		
MSC Road Maintenance	General	40

Facility/Project	Category	Amount
Smithsonian Environmental Research Center		
Instrument Shop	Other	175
Dock Repair	General	50
Sewage System	Utility	200
General Repairs	General	30
Hirshhorn Museum & Sculpture Garden		
Minor Safety/Security Projects	Access	110
Plaza Resurfacing & Waterproofing	Facade	300
Sprinkler System - Ground Floor	Fire	80
Cooper-Hewitt Museum		
General Repairs	General	20
Roof Repairs	Facade	50
Smithsonian Tropical Research Institute		
General Repairs	General	50
Paved Road - BCI	Other	75
Dock Replacement - BCI	Other	220
Fire Protection - BCI	Fire	65
Fire Protection - Various Sites	Fire	100
Upgrading of Water & Sewage	Utility	75
Emergency Generator & Building - BCI	Utility	140
Sewage Collection & Treatment Plant - Naos	Utility	120
Dormitory Construction - Naos	Other	390
Whipple Observatory		
Ridge Dormitory/Construction	Other	800
Road Repairs & Improvements	General	40
General Repairs - Whipple	General	40
General Repairs = Oak Ridge	General	5
Multiple Mirror Telescope Fire Protection	Fire	50
Miscellaneous		
Mall Master Raceway System	Utility	500
Emergency Repairs Throughout SI	General	100
Advance Planning & Design Funds	Other	329
Combined Master Plan for SI Facilities	Other	120
General Facade Renovations	Facade	100
Asbestos Abatement	Access	640
PCB Abatement/Electrical System Coordination Study	Utility	1,900
TOTAL		14,254

December 22, 1986

FY 1988 Restoration and Renovation Projects by Category

Facility	Project	Amount
General Repairs and Improvements		
AAPG	General Repairs & Attic Storage Space	230
SHF	Fence & Road Program	50
MSC	Road Maintenance	40
SERC	Dock Repair	50
SERC	General Repairs	30
CHM	General Repairs	20
STRI	General Repairs	50

FY 1988 Restoration and Renovation Projects by Category

Facility	Project	Amount
General Repairs and Improvements		
FLWO	Road Repairs & Improvements	40
FLWO	General Repairs	40
SAO	General Repairs - Oak Ridge	5
Misc.	Emergency Repairs	100
	Total	655
Facade, Roof and Terrace Repairs		
SIB	Facade Restoration (Masonry)	50
SIB	Window Replacement	1,250
NASM	Facade Repairs/Water Intrusion	200
SHF	Exterior Maintenance, Building 10	30
HMSG	Plaza Resurfacing & Waterproofing	300
CHM	Roof Repairs	50
Misc.	General Facade Renovations	100
	Total	1,980
Fire Detection and Suppression Systems		
NMAH	Fire Protection Master Plan	500
NMNH	Fire Protection Master Plan	400
SIB	Smoke Detection/Sprinklers/Fire Zones	250
AIB	Fire Detection & Suppression	100
AAPG	Fire Protection Improvements	225
RGA	Fire Protection Improvements	215
NASM	FIre Protection Master Plan Improvements	350
SHF	Sprinkler System Expansion, Bldgs. 15 & 16 (NMAH)	50
HMSG	Sprinkler System Expansion	80
STRI	Fire Protection - BCI	65
STRI	Fire Protection - Various Sites	100
FLWO	Fire Protection - MMT	50
	Total	2,385
Access for the Disabled, Safety and Security, and Correction of Hazardous Conditions		
NASM	Emergency & Handicapped Door Replacements	30
SHF	Safety Rails, Bldgs. 15, 16, 17, 18 & 19 (NMAH)	170
HMSG	Minor Safety/Security Projects	110
Misc.	Asbestos Abatement	640
	Total	950
Utility Systems Repairs and Improvements		
NMAH	HVAC Improvements	1,600
NMAH	Electrical Switchgear Replacements	400
NMNH	HVAC/Energy Implementation	475
AIB	Utility Tunnel Repair	100
FGA	Modify Steam Heating System	50
SERC	Sewage System	200
STRI	Upgrading of Water and Sewage	75
STRI	Emergency Generator & Building - BCI	140
STRI	Sewage Collection & Treatment PLant - Naos	120
Misc.	Mall Master Raceway System	500
Misc.	PCB Abatement	1,900
	Total	5,560
Other Projects		
NMAH	Mezzanines	300
NMNH	SI Libraries Renovation - Phases IV & VI	215
SIB	Structural Inspection & Pre-Planning Study	100
SERC	Instrument Shop	175
STRI	Dock Replacement - BCI	220
STRI	Paved Road - BCI	75
STRI	Dormitory Construction - Naos	390

FY 1988 Restoration and Renovation Projects by Category

Facility	Project	Amount
FLWO	Ridge Dormitory Construction	800
Misc.	Advance Planning & Design	329
Misc.	Combined Master Plan for SI Facilities	120
	Total	2,724
General Repairs		655
Facade, Roof & Terrace		1,980
Fire Protection		2,385
Access for the Disabled		950
Utility Systems		5,560
Other Projects		2,724
		14,254

Smithsonian Tropical Research Institute

Question: Would you please explain the base adjustment of 6 FTE that shows up on page 35 as being the difference between 1986 actual and 1987 base amounts? If it is part of the redirection of the Rockville-SERC, should the $800,000 also be an adjustment? If so, why is it only $509,000?

Answer: The workyears and dollar amounts for FY 1986 on page 35 represent the actual workyear usage and expenditures for the Smithsonian Tropical Research Institute (STRI) in FY 1986. The resources for FY 1987 reflect the appropriation for STRI adjusted by the distribution of the grade target reduction and the amount required in FY 1987 to fund the January 1987 pay raise. The 6 workyears, and $800,000 previously associated with SERC-Rockville, and now proposed for redirection to STRI, are contained in the difference between the amount shown for FY 1987 and FY 1988.

Question: An increase of 6 personnel and $800,000 is proposed for additional research on molecular evolutionary studies. How many staff and how much funding is in the base for this activity? Is this the highest STRI priority? Where will the staff be housed and where will they be provided lab space?

Answer: The $800,000 requested in STRI's 1988 budget represents part of the redistribution of the base funding from the SERC-Rockville laboratory. This is a relatively new area of research for STRI that will permit it to apply new molecular, biochemical, and physiological techniques to ecological, evolutionary and systematic research. While STRI currently has one staff scientist, funded out of the base budget, who will be redirecting a major portion of his research to utilized these new techniques, the additional positions and funding are necessary to establish a critical scientific group in this field. These techniques are of great importance because they provide a wholly new level of insight into evolutionary and adaptive processes in tropical organisms. In the first year the principal costs will be for the purchase of instruments and equipping the laboratories. In subsequent years additional technical support will be contracted, supplies and materials procured and funds used in general for the operation of the program. The new personnel will be located initially at STRI's existing Ancon and Naos facilities, to be moved to the new Tupper Research Center upon completion of the construction, expected in the latter part of FY 1988. Without the requested funding in the base in FY 1988, we would be unable to order the necessary equipment for the molecular and biochemical laboratory. These types of laboratories are available at universities and research centers throughout the continental U.S. It is our intention to provide a capability that will enable STRI to employ these methods in the analysis of tropical research programs.

Question: I understand that the Smithsonian's STRI will get a significant amount of money from the Minerals Management Service to study the effects of an oil spill near the Galeta Research Lab on the Atlantic coast. How much will STRI receive in 1987? In 1988? How will STRI utilize that money?

Answer: In the first year of the contract with the Minerals Management Service, which will run from March 1987 to March 1988, STRI will receive $661,066 and the second year of the contract is expected to cost $569,919. The contract requires STRI to study the reef flats, mangroves and subtidal reefs and provide detailed analyses of hydrography and chemistry. It is a study directed exclusively at analyzing the effects of the oil spill rather than other basic scientific research which is the mainstay of STRI. In order to produce the analysis and reports required by this contract we will be hiring 10 scientists and technicians as well as employing consultants to do certain short term studies, on a periodic basis, as for example, hydrocarbon analyses to be performed at the Bermuda Biological Station.

Question: Even though it is considered soft money, or money not in the STRI base Federal appropriation, it can still be used to offset a number of other STRI expenses that would otherwise be charged to the base appropriation. Isn't that correct? How long will this money be available?

Answer: The project was started at the urging of the Minerals Management Service because it offers a unique opportunity to study the effects of a major oil spill in the tropical environment at a site from where there is a considerable existing body of scientific knowledge accumulated. STRI has agreed to undertake this applied research project more out of a moral obligation, because it had done the basic research on the site. It is not correct to say that any of the contract money to be received from the Minerals Management Service can be used to offset other expenses of STRI that would otherwise be charged to base appropriations. The contract is for a five-year study and requires that STRI perform specified sampling of the various environments as well as deliver certain periodic reports and analyses, and prepare publications for scientific journals. The funds are in the form of a contract and not a grant and no flexibility exists for their redirection for other STRI needs.

Question: What are the renovation and restoration expenses anticipated for STRI in 1988? Would you provide, for the record, a complete list of 1988 and future year costs to be incurred at STRI?

Answer: R&R projects for STRI which are included in the FY 1988 budget request total $1.235 million. The accompanying table indicates the current list of proposed STRI Restoration and Renovation projects for FY 1988 and future years (FY 1989 - 1993) as presented in the Office of Design and Construction's report titled "Restoration and Renovation of Buildings - Five Year Development Program."

RESTORATION AND RENOVATION OF BUILDINGS - FIVE YEAR DEVELOPMENT PROGRAM

50-SMITHSONIAN INSTITUTION TROPICAL RESEARCH INSTITUTE-50

		FY '88	FY '89	FY '90	FY '91	FY '92	FY '93	FY '94 and Beyond
1.	GENERAL REPAIRS & IMPROVEMENTS							
	General Repairs	50	50	100	100	100	100 & Ongoing	0
2.	FACADE, ROOF & TERRACE REPAIRS							
	Painting of Structures	0	100	0	0	0	0	0
	Roof Repairs at Various Sites	0	100	50	50	50	0	0
3.	FIRE DETECTION & SUPPRESSION							
	Fire Protection-BCI	65	0	0	0	0	0	0
	Fire Protection-Various Sites	100	100	0	0	0	0	0
4.	ACCESS SAFETY & SECURITY							
	Paved Road-BCI	75	0	0	0	0	0	0
	Petroleum Storage Facility-BCI	0	25	0	0	0	0	0
5.	UTILITY SYSTEM REPAIRS & IMPROVEMENTS							
	Upgrading of Water & Sewage-BCI	75	0	0	0	0	0	0
	Sewage Collection & Treatment Plant-Naos	120	0	0	0	0	0	0
	Communication Structure - BCI	0	0	0	45	0	0	0
	Emergency Generator & Building-BCI	140	0	0	0	0	0	0
	Seawater System Improvement-Naos	0	50	0	0	0	0	0
	Upgrading Sewer System-Galeta	0	0	0	0	0	0	0
	Emergency Generator & Building - Naos	0	175	0	0	0	0	0
6.	OTHER PROJECTS							
	Dock Replacement-BCI	220	0	0	0	50	0	0
	Dining & Conference Facility	0	0	0	0	0	0	0
	Dormitory Renovation-Gamboa	0	0	0	0	0	0	0
	Dormitory Construction-Naos	390	0	0	0	0	0	0
	Dock - Gamboa	0	300	0	0	0	0	0
	Boathouse Renovation - BCI	0	165	0	0	0	0	0
	Miscellaneous Demolition - BCI	0	65	0	0	10	35	0

RESTORATION AND RENOVATION OF BUILDINGS - FIVE YEAR DEVELOPMENT PROGRAM

50-SMITHSONIAN INSTITUTION TROPICAL RESEARCH INSTITUTE-50

	FY '88	FY '89	FY '90	FY '91	FY '92	FY '93	FY '94 and Beyond
Administration Building Renovation - Tivoli	0	0	0	100	0	0	0
Aquarium Building Renovation - Naos	0	0	25	300	0	0	0
Staff Housing - BCI	0	0	0	0	450	0	0
Lab Building Renovation - Naos	0	0	0	0	635	0	0
Floating Dock - Naos	0	0	0	0	70	0	0
Ancon Building Evaluation	0	15	0	0	0	0	0
Dive Locker Addition	0	0	0	0	30	0	0
TOTALS:	1,235	1,145	175	595	1,395	135	0

National Zoological Park

Question: The Zoo is requesting an increase of $632,000 in 1988 for program purposes. This includes $250,000 to establish programs in molecular genetics and the genetic management of rare and endangered species, and $382,000 to supplement existing staff and programs at the Zoo. How much assistance does the Zoo receive now from other Smithsonian organizations and from non-Smithsonian groups?

Answer: The Zoo has collaborated with at least four other institutions in the area of molecular genetics, including the National Cancer Institute (NCI) and New York University. However, in this rapidly changing expanding field, the NZP requirements are now greater than NCI or other laboratories can absorb. The field of molecular genetics has been recently in a phase of rapid development that now makes it possible for the Zoo to conduct analyses which would have been impossible 5 to 6 years ago. In part, it is the advancements in the field which have made the technology available for use in looking at taxonomic and familiar relationships that has made this program so essential to the future of our evolutionary studies and captive breeding programs.

Question: The justification calls for the establishment of a new genetics lab. Is new construction contemplated, now or in the future?

Answer: We intend to renovate the current Nutrition Laboratory when the personnel in the Nutrition Laboratory move into the renovated Research Facility in 1988/1989. Thus, this is not new construction, but a renovation of an existing laboratory. In the interim, laboratory space will be made available temporarily at another Zoo site.

Question: For example, does the Zoo receive any assistance from the Fish and Wildlife Service's research facility at Patuxent, Md.? The Zoo has $12.252 million and 321 personnel in its base 1987 program--how much of the base is devoted to genetics? Why isn't that enough?

Answer: The Zoo does not receive any assistance from the labs at Patuxent; to our knowledge Patuxent does not have a laboratory in molecular genetics.

The Zoo is already supporting a Population Manager who analyzes animal pedigrees and develops recommendations for long-range breeding plans, including the maintenance of some studbooks. The population manager's expertise is in population genetics, and the analysis of demographic trends, not in the molecular genetics. These are both essential, but complementary disciplines.

Question: In 1987, the Zoo will open its new Invertebrate Exhibit. How much will it cost in 1987 and 1988 to support this new exhibit? Is that money in the base?

Answer: In FY 1987 we will spend under $100,000 for the operation of the new Invertebrate Exhibit. In FY 1988 the cost of operating the exhibit will increase to between $130,000-$150,000. This increase is based on full year funding of the facility and includes the two positions in the FY 1988 request. All the funds necessary to operate the Invertebrate Exhibit are in the base except the $40,000 for the two new positions for FY 1988.

Question: Also, the new gibbon exhibit is slated for operation in the summer of 1987. Is the money and staff needed for that exhibit included in the 1988 request?

Answer: Yes, the request for FY 1988 includes the needs for the gibbon exhibit.

Question: Support for current programs is budgeted for an increase of $382,000. Can you provide a distribution of base funding and staffing in support of the contention (p. 54) that "the Zoo cannot support existing aquatic facilities and new facilities...and maintain safe working conditions without an increase in staff"?

Answer: In our FY 1987 base we have 10 Animal Keeper positions ($300,000) and two Water Quality Specialists ($62,000) to support six aquatic exhibits with a total of 1,500,000 gallons of water. The two requested Water Quality Specialist positions will be used in this area. As we learn more about water quality needs for our collection we see the value of having additional positions to provide the highest quality water exhibits. These positions will also help establish a base of support for the anticipated development of new aquatic exhibits in FY 1989 and FY 1990.

At Front Royal we have 16 Animal Keeper positions ($425,000) and 5-7 volunteers and research assistants providing 7 day a week care for a live collection of over 770 animals. We have grown to the point that volunteers can no longer be used as the primary care position for the collection. Our request includes 3 keeper positions for Front Royal. Volunteers and research assistants will still be used but only in a support position. We need the additional staff positions to continue providing the highest level of care for our collection.

Smithsonian Institution Libraries

Question: The Smithsonian Libraries is requesting an increase of $141,000 in 1988, to be used to accelerate the cataloguing of uncatalogued materials in the Libraries' collections, and to hire two library technicians to support the African Art branch library. How many library personnel does the African Art branch have? How about other museums?

Answer: The African Art branch library currently has a staff of two at the Museum of African Art: one librarian and one library technician (Trust pos.). In addition, a library technician position approved in FY 1985 provides centralized processing support for the multi-year collections acquisitions program for the African Art library. The two library technician positions requested for FY 1988 would augment the level of centralized processing support and bibliographic services at the African Art branch location.

The following table provides information on current staffing for Smithsonian libraries:

SI Libraries Branches	Pos.	
Museum of Natural History	11	(including 1 Trust pos.)
Central Reference and Loan	7	
National Air & Space Museum	6	
National Museum of American History	6	
Cooper-Hewitt Museum	4	(including 1 Trust pos.)
Tropical Research Institute (Panama)	3	
Astrophysical Observatory (Cambridge, Ma.)	3	(including 1 Trust pos.)
Museum Support Center	2	
Special Collections	2	
Museum Reference Center	2	
Museum of African Art	2	(including 1 Trust pos.)
SERC-Edgewater	1	
National Zoological Park	1	
Horticulture	1	
Central processing (acquis. cataloguing, admin.)	55	(including 6 Trust pos.)
Total, SIL Staffing	106	(including 10 Trust pos.)
American Art/Portrait Gallery	9	
Center for Asian Art	3	(including 2 Trust pos.)
Hirshhorn Museum	4	

Question: How would the Smithsonian rank all of the increases requested for the new or significantly expanded museums?

Answer: For the past four years, the provision of adequate program support for the new or significantly expanded bureaus to be located in the Quadrangle has been a very high priority within the Institution. The program increases requested for FY 1988 represent the last increment of funding to establish sufficient staffing and non-personnel support for the initial program requirements of these bureaus in the Quadrangle. Since the requested increases for occupants of the Quadrangle represent the level of resources required for the initial program, the Institution has not ranked these increases competitively.

Question: For the record, please distribute the total library resources across the Smithsonian's components, and please identify all known cataloging shortfalls and the related funding and staffing needed to eliminate all backlogs.

Answer: The actual FY 1986 expenditures for the SI Libraries totaled $4,406,000. The following table provides the detail of these costs by branch library and central processing services.

SI Libraries -- FY 1986 Expenditures

SI libraries Branch Libraries	Actual FY 1986
Central Services	
SIL cataloguing contracts	$170,000
Retrospective conversion	180,000
Smithsonian Institution Bibliographic Info. System	125,000
Inter-library loan	2,300
Automated Systems and Collec. Management Support	1,273,419
Central Reference and Loan Services Branch Library	242,240
Special Collections Branch Library	140,689
Museum Reference Center Branch Library	60,752
Museum Support Center Branch Library	96,478
Administrative Support	415,280
Natural Sciences	
Museum of Natural History Branch Library	424,477
Smithsonian Environmental Research Center Branch Lib.	106,851
National Zoological Park Branch Library	60,380
Tropical Research Institute Branch Library (Panama)	205,393
Physical Sciences	
National Air and Space Museum Branch Library	194,644
Astrophysical Observatory Branch Library (Camb., Ma.)	127,983
History and Art	
Museum of American History Branch Library	246,870
Museum of African Art Branch Library	189,606
Cooper-Hewitt Museum Branch Library (New York City)	104,982
Office of Horticulture Branch Library	38,656
Total SI Libraries	$4,406,000

At present, there are approximately 300,000 uncatalogued items in the SI Libraries' collections. There are 8,650 totally uncatalogued gift items (stored at the Institution's Service Center at 1111 North Capitol Street) that are completely inaccessible by any index or catalogue -- automated or manual. There are also some 29,000 uncatalogued volumes presently located in offices and libraries throughout the Institution that must be incorporated into the SIL bibliographic records. The cost of contractual services for cataloguing these volumes is estimated to be $20 per item, resulting in total funding of $760,000 required to catalogue the approximately 38,000 volumes contained in both of these backlogs.

In addition, as indicated by the findings of several audit reports on the Libraries' collections conducted by the Smithsonian's Office of Audits and Investigations, there are approximately 9,000 rare books in the Libraries' Special Collections that have not been catalogued, with only brief checklists maintained for security purposes. Since the catalolguing process for rare books is particularly complex, cost estimates for contracting the cataloguing of these rare books average about $40 per book. The total cost of cataloguing these rare books, therefore will be approximately $360,000.

The Libraries' trade catalogue collection, consisting of a minimum of 230,200 pieces of trade literature, is also mostly uncatalogued. Through the use of minimal identifying information and the assistance of volunteers, the Libraries has developed a cataloguing process that can produce an on-line catalogue of the collections at a cost of $4 per item. Total funding of approximately $921,000 will be required to catalogue all the literature in this collection.

Total funding required to eliminate all of these cataloguing backlogs is, therefore, estimated to be approximately $2.04 million. Current SI Libraries' base funding for this program is $95,000. The requested redirection of funding for FY 1988 will establish an expanded base of $295,000 to accelerate this critical program. Even with this expanded base, it is estimated that (at current prices) it will take at least seven years to eliminate these cataloguing backlogs. The elimination of these backlogs will remain a high priority for the Libraries.

Establishment of Molecular Systematics Laboratory at NMNH

Question: The National Museum of Natural History is requesting an increase of 15 workyears and $905,000 of the total increase, $450,000 is proposed to establish a molecular systematics laboratory at the Museum Support Center. Will the lab facilitate the exhibition function, or the research function, or the collections management function?

Answer: The primary purpose of this lab, will be to conduct research, and the only direct collection-related activity will be the addition of frozen tissue specimens to the permanent collection. The Museum is also considering the development of a related exhibition that would increase public understanding of this research by showing molecular techniques for analysis of specimens, which will be greatly facilitated by the establishment of this lab.

Question: How much of the base funding of $22,479,000 is attributed to functions such as these (research, exhibits, or collection)?

Answer: Of the Museum's FY 1987 base, 8.5% is direct support for the Offices of Exhibits and Education. This does not include the time devoted to exhibit and other outreach activities curatorial and other Museum staff. research and collection management activities, which are closely integrated, represent approximately 75% of the Museum's budget. These costs cannot be separated out in any definitive way. The collections are maintained to support not only the Museum's own research, but the research enterprise in biological systematics and anthropology in universities and institutions throughout the world. Also included in this figure are the costs of the curatorial and technical staff who provide significant outreach support in the form of lectures, responses to public inquiries, and work on exhibits.

Allocation of Funding for Collection Management Activities

Question: As I understand the situation, the Natural History Museum, and frankly each of the major museums, has a sizeable backlog of collections that are not catalogued and are, therefore, not reliably accessible to the scientists, nor is its condition reliably known to the conservatorial staff. Why shouldn't this be the Smithsonian's number one priority, and why shouldn't all of the additional funding that Congress can provide be allocated to this basic function?

Answer: Because the availability of the physical collection and related documentation is the primary resource pool from which the overwhelming percentage of all other museum activities occur, collections management continues to be one of the top priorities of the Institution. In a world of limited resources, however, choices must be made between the levels of collections management activities, research initiatives and public programming that compete for these resources.

A primary function of any museum is to collect. Collections are immediately stabilized and controlled to the level of resource availability. As funds are targeted and made available, more thorough collection examination and interpretation is accomplished.

Each Smithsonian museum historically has had an inherent responsibility and base funds and staff for the care of its collections. In addition, to accelerate the work associated with collections inventory, Congress provided funding in a separate line-item in the Salaries and Expenses appropriation for the Collections Management/Inventory Program. As explained in the budget for FY 1987, these funds have been and continue to be allocated primarily to the four bureaus which have the most acute inventory and recording needs: the Museum of Natural History, the Museum of American History, the Cooper-Hewitt Museum, and the Archives of American Art. The base resources of these four-bureaus available for this purpose (approximately $1.7 million in FY 1987) are augmented by funding provided by the Collections Management/Inventory Program ($831,000 in FY 1987).

As part of the annual budget formulation process, the Institution will identify the most important specific needs that cannot be met within current funds and present these needs in its budget requests to the Office of Management and Budget and to the Congress. As is the case with the FY 1988 request, these will be targeted requirements.

Question: How would the bench scientist characterize the importance of collections management activities?

Answer: The scientist considers collections management activities to be absolutely essential and of high priority.

Arctic Research

Question: An additional $200,000 is requested for arctic archeology, anthropology, and biology. What is the size of the base program in this area?

Answer: A recent survey done for the Interagency Arctic Research Policy Committee estimated that the Smithsonian currently spends approximately $500,000 on arctic research distributed through several line items. This includes funds expended on field and laboratory research, management of new and existing collections, research publication costs, and exhibition research. It breaks down approximately into $450,000 for anthropological programs and $50,000 for biology.

Question: The opening statement speaks of a National Arctic Studies Center. Not only are we establishing a new lab or two in the Smithsonian this year, we are also establishing a National Arctic Studies Center. How much is in the base for this type of activity?

Answer: The Arctic Studies Center will not require new construction. It will be housed within existing space in the Museum of Natural History, in the Department of Anthropology and several biology departments. We might note that the existing base, as detailed in the previous answer, includes $200,000 for collection management (a necessity for any natural history research program--this includes costs of record-management, technical support, conservation, and collections storage equipment); about $150,000 in salaries for exhibition research; and only about $150,000 going into actual scientific fieldwork, analysis, and publication. At present, only three scientists are engaged in arctic research at the Smithsonian: Robert Hoffmann, Stan Shetler, and William Fitzhugh. Increased staffing is urgently needed to meet today's research needs as identified in the IARPC 5-year plan.

Question: The statement also refers to the Arctic Research and Policy Act of 1984. Who does that Act specify as having the lead in terms of facilities in the Arctic?

Answer: The Arctic Research Policy Act is run out of the National Science Foundation. The Smithsonian participates in the Interagency Arctic Research Policy Committee. No federal agency has been designated to take the "lead" in terms of scientific research facilities in the Arctic since the Naval Arctic Research Laboratory in Point Barrow, Alaska, has closed. The Smithsonian's proposed Arctic Studies Center will not maintain its own facilities in the Arctic and will not require a large amount of space within existing Smithsonian facilities in Washington, D.C. Anticipated space requirements at the Smithsonian include one to several laboratories and offices and collection preparation and storage areas and equipment, all to be provided through renovation and enhancement of present space and facilities.

Computer Equipment at NMNH

Question: How much does the Natural History Museum spend annually on computer hardware? On software? How many personal computers are in use by the 530 base employees? How many of those were purchased by soft money, or with Federal appropriations?

Answer: In FY 1986, NMNH applied approximately $180,000 of base funds to the purchase of computer hardware (computers, printers, workstations and accessories), which included $35,000 for communications hardware and $4,500 for a laser printer for the SI Press to offset typesetting costs of the Contribution Series publications. FY 1986 software expenditures totalled approximately $70,000 which included $7,000 for typesetting software. As of the last inventory (1986) there were 250 personal computers or word processors, which were purchased over the past six years. Many of them are outmoded and in need of replacement or upgrade. Of the 250 machines, 35 were purchased from trust funds and 215 from Federal appropriations, (with funding provided from the Museum's base and the Collections Management/Inventory Program).

National Air and Space Museum Restaurant

Question: What is the status and schedule for the construction of the food service facility at the Air and Space Museum? How much will the facility cost?

Answer: Construction of the new restaurant facility at NASM is underway and scheduled for completion mid-summer 1988. The construction cost is $14.0 million.

Question: Will it be operated by Smithsonian staff or by concession arrangement? By building the facility, did the Smithsonian eliminate the potential for concessionaires to build up a possessary interest? Do any of the concessionaires serving the Institution have possessary interests, and if so, please provide a detailed statement for the record.

Answer: The NASM restaurant will be operated by a concessionaire. Guest Serives Inc. is the concessionaire. By the Smithsonian building the restaurant and funding it from Trust Funds, there is no possiblity that a concessionaire could claim a possessary interest. None of our concessionaires have possessary interests. They have, however, in selected instances purchased equipment, e.g. refrigerators, display cases, for use in our facilities. In the event that the concessionaire's contract with the Institution were terminated prior to the end of the useful life of such equipment, the contract provides that the Smithsonian will purchase said equipment at the value of its then useful life.

The National Museum of American History

Question: Why was the name of the National Museum of American History changed from the National Museum of History and Technology? Would the Smithsonian resist efforts to restore the original name?

Answer: In October 1980, the name of the Museum was changed from the National Museum of History and Technology to the National Museum of American History as a part of the redefinition of its long-standing purpose: the analysis and interpretation of American history through the artifacts of American culture. Two years later, in October 1982, during a review of the Museum's programs conducted by the Smithsonian Council, the Council reaffirmed the decision:

> "The importance of the change of name from the National Museum of History and Technology to the National Museum of American History is hard to overemphasize. We observed that it had a clarifying effect in focussing almost every topic discussed. Paradoxically, the old uncertainty about the place of collections from other cultures, including the whole thrust from Western Europe, has been dramatically lessened. It is now possible to see European art, music, science, technology, and peoples as having an integrity of their own while at the same time establishing their relevance to the Museum by their connection to the developing American tradition in its broadest sense."

This assessment of the results of the name change is indicative of the views concerning the name change both within and outside the Institution. Therefore, the Smithsonian would resist any effort to restore the original name.

Question: How far behind is the Museum's collections management program? What would it cost to put the system on schedule?

Answer: The National Museum of American History struggles to provide access and to maintain accountability for 16 million objects and the related information. NMAH does maintain physical control of its collections at a rudimentary level but it can not provide intellectual access to the collection in a timely, efficient manner. The situation is getting worse, not better, despite the best efforts of a competent, dedicated staff; despite comprehensive planning efforts; despite increasingly restrictive collecting criteria; and despite the supplemental funds authorized by Congress to support the 1978-1983 inventory effort.

Critical identified projects which will contribute to increased access to the collection include: the development of an automated Collections Information System (CIS), conservation treatment and re-housing of collections to assure stability and appropriate storage environments; review of old loan records; photography of high value objects; distribution of accession files currently held by SI Archives; and attention to basic registration backlogs.

The critical nature of these projects can be highlighted by examining some of the numbers. More than three thousand loan files remain pending since 1958. 700,000 objects acquired since 1974 await basic registration, 80,000 location changes since 1983 await data entry. These figures increase daily. Moreover, all NMAH (and NMNH) accession records, prior to 1974, are housed in the SI Archives and are unavailable to researchers at the museum site.

For FY 1988, the Museum has requested an increase of 5 workyears and $93,000 to help eliminate the growing backlog of accessions to be inventoried, to provide the basic refinement of inventory records for the move to the Museum Support Center and to assist in the conversion of inventory data to the Collections Information System on the Smithsonian's IBM mainframe computer.

Additional funding required above the FY 1988 request to enable the Museum to get back to a maintenance level (that is, to stop the growth of these backlogs) is 4 workyears and $182,000. This additional funding is needed to hire four museum technician positions to document location changes for museum objects (4 workyears and $68,000); to cover the increased mainframe computer usage associated with the new automated Collections Information System ($64,000); and to purchase collections storage equipment ($50,000).

The Museum has also identified the level of additional funding to be required over the long term to completely eliminate these collections management backlogs. To eliminate the long-standing backlogs in basic collections documentation and to complete the automation of the Museum's acquisition and loan records, an estimated $4.3 million will be required over the next ten years (including 13 new museum technician positions). To eliminate an estimated 50-year backlog in conservation and collections storage projects for over 2 million objects in the collections, a total of approximately $12.8 million will be needed over that period (including 11 new conservator and conservation technician positions and 4 new museum technician positions).

Hazardous Conditions and Known maintenance and collections Backlogs

Question: For the record, and for all facilities, please provide a table or chart of the known hazardous conditions (such as asbestos or PCB transformers) that exist at one or more Smithsonian facility, and the known backlog of facility maintenance. Also, for each facility, please indicate how much of the base funding is being targeted at these problem areas and how much of the requested increases are also being targeted at these problems.

Answer: Attached are tables describing the known hazardous conditions (Attachment A) and the known backlog of essential maintenance and repair (Attachment B) in Smithsonian facilities. Similar information on conditions in the National Zoological Park facilities is shown as Attachment C. Base funding of $8,155,000, approximately 63% of the funds provided in the FY 1987 appropriation for Restoration and Renovation of Buildings, is being used for correction of these kinds of problems, although the specific projects funded in FY 1987 are no longer considered to be part of the backlog. Of the total FY 1988 Restoration and Renovation of Buildings request for FY 1988, the amount of $11,959,000, approximately 84% will be devoted to accomplish backlog work, including the correction of hazardous conditions in Smithsonian facilities. The National Zoological Park receives separate funding for repair projects through the Zoo Construction Improvements account. In FY 1987 funding of $1,900,000 was directed toward major repairs and corrections of hazardous conditions, and the FY 1988 request contains an amount of $2,550,000 for this purpose.

Attachment A

Known Hazardous Conditions - Smithsonian Institution

Hazard or Toxic Substance	Where Found in Smithsonian	Segment of the Population Exposed	Action on Hazard/ Toxic Substance
ASBESTOS	C-H, AA&PG, NMAH, NMNH, Silver Hill, STRI, CRC, NZP, A&I, FGA and the Greenhouse - includes sprayed-on insulation, and insulation on ventilation ducts, boilers and piping. Controlled areas include attics of NMNH, and Buildings 15 to 19, Silver Hill.	Authorized personnel having access to controlled areas.	Areas which have exposed asbestos are restricted and controlled.
		Maintenance and repair-OPlantS and building manager's personnel.	Industrial hygienists monitor operations.
		Contract removal personnel adjacent to operations.	An industrial hygiene contract has been procured to monitor contractors.
FIRE AND THE PRODUCTS OF COMBUSTION	All SI facilities	All SI employees and visitors. A greater threat to collections and facilities.	Master plans have been developed for upgrading fire protection and life safety at all SI facilities and are being implemented in an orderly, programmed and budgeted manner. The plans are continuously updated.

Known Hazardous Conditions - Smithsonian Institution

Hazard or Toxic Substance	Where Found in Smithsonian	Segment of the Population Exposed	Action on Hazard/ Toxic Substance
POLYCHLORINATED BIPHENYLS (PCB) (a suspect carcinogen)	All SI facilities - transformers, capacitors, neon and fluorescent light ballasts, microwave units, and TV sets as well as NMAH collection objects.	Electricians, operating engineers, Electrical Division (NMAH) - exhibits, curatorial, and adjacent SI staff.	Replacement or retrofill of all PCB transformers is planned to comply with the EPA deadline of 1990. Retrofilling consists of replacing the PCB dielectric fluid with mineral oil wherever possible in existing transformers.
INADEQUATE VENTILATION	Most SI facilities	Potentially all employees.	As renovation and replacement of HVAC systems are planned, designs are reviewed on a case-by-case basis to ensure that ventilation is adequate for operations conducted in those areas.

Attachment B

SMITHSONIAN INSTITUTION

BACKLOG OF ESSENTIAL MAINTENANCE AND REPAIRS

ON SMITHSONIAN OWNED BUILDINGS

AS OF FEBRUARY 1, 1987

The attached list contains the unfunded backlog of identified work which is required to repair or preserve facilities, assure continued operation of building systems and equipment, or bring buildings into compliance with life safety and health code/standards. The current program of building inspection and subsequent engineering studies will result in annual refinement of work contained in the backlog and cost estimates for performing the work.

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

SUMMARY SHEET

(In thousands of dollars)

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecomm	TOTALS
National Museum of American History									
TOTALS:	1,925	0	0	3,845	7,540	870	390	0	14,570
National Museum of Natural History									
TOTALS:	770	8,030	0	2,800	103,475	0	60	0	115,135
Smithsonian Institution Building									
TOTALS:	2,930	150	0	750	120	0	0	0	3,950
Arts & Industries Building									
TOTALS:	2,600	100	0	0	20,400	0	0	0	23,100
American Art/Portrait Galleries									
TOTALS:	0	580	0	695	5,270	45	875	0	7,465
National Air & Space Museum									
TOTALS:	10,575	325	0	1,050	100	0	485	0	12,535
Renwick Gallery									
TOTALS:	125	0	0	415	830	0	0	0	1,370
Freer Gallery of Art									
TOTALS:	325	0	0	100	200	125	0	0	750
Silver Hill Facility/Museum Support Center									
TOTALS:	0	0	0	845	100	165	0	0	1,110
Smithsonian Environmental Research Center									
TOTALS:	785	0	200	70	0	0	30	0	1,085
Hirshhorn Museum & Sculpture Garden									
TOTALS:	3,620	0	225	190	875	25	0	0	4,935
Anacostia Neighborhood Museum									
TOTALS:	0	0	0	135	0	0	0	0	135
Cooper-Hewitt Museum									
TOTALS:	505	120	0	215	750	90	10	0	1,690
Smithsonian Institution Tropical Research Institute									
TOTALS:	1,815	735	245	290	0	435	0	0	3,520
Smithsonian Astrophysical Observatory-Whipple Observatory									
TOTALS:	2,170	0	0	50	0	90	0	0	2,310
Miscellaneous									
TOTALS:	2,300	2,880	0	8,450	260	100	0	8,750	22,740
GRAND TOTALS:	30,445	12,920	670	19,900	139,920	1,945	1,850	8,750	216,400

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

30-NATIONAL MUSEUM OF AMERICAN HISTORY-30

		Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecom
1.	GENERAL REPAIRS & IMPROVEMENTS								
	Loading Dock Ceiling	60	0	0	0	0	0	0	0
	Locking Dock Vapor Barrier	55	0	0	0	0	0	0	0
2.	FACADE, ROOF & TERRACE REPAIRS								
	Planning/design fountain renovation	175	0	0	0	0	0	0	0
	Terrace repair	1,425	0	0	0	0	0	0	0
3.	FIRE DETECTION & SUPPRESSION								
	Fire Detection Master Plan Implementation	0	0	0	3,550	0	0	0	0
	AB052 Halon System	0	0	0	30	0	0	0	0
4.	ACCESS SAFETY & SECURITY								
	Modification for Disabled Access	0	0	0	265	0	0	0	0
	Protective Barriers	210	0	0	0	0	0	0	0
5.	UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
	HVAC Improvements/Relocation of Space Functions	0	0	0	0	7,300	0	0	0
	Loading Dock & Paint Shop Ventilation Study & Implementation	0	0	0	0	240	0	0	0
	Electrical Switchgear Replacement	0	0	0	0	0	800	0	0
	Simplex System	0	0	0	0	0	70	0	0
	Misc. Electrical, Lighting & Switching Mods.	0	0	0	0	0	0	15	0
	Damper & Exhaust Fan Modifications	0	0	0	0	0	0	60	0
	4th & 5th Floor Thermostats	0	0	0	0	0	0	35	0
	Exhaust Air Heat Recovery	0	0	0	0	0	0	170	0
6.	OTHER PROJECTS								
	Shading & Screening	0	0	0	0	0	0	110	0
	TOTALS:	1,925	0	0	3,845	7,540	870	390	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

31-NATIONAL MUSEUM OF NATURAL HISTORY-31

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecomm
1. GENERAL REPAIRS & IMPROVEMENTS								
Rotunda Column Cleaning	65	0	0	0	0	0	0	0
Inner Doors at Locking Dock	0	0	0	0	0	0	60	0
2. FACADE, ROOF & TERRACE REPAIRS								
Roof Repair	100	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION								
Fire Protection Master Plan Implementation	0	0	0	2,800	0	0	0	0
4. ACCESS SAFETY & SECURITY								
North & South Entrance Improvements	300	0	0	0	0	0	0	0
New Interior Handrails	0	645	0	0	0	0	0	0
Hall 16 Disabled Access	0	125	0	0	0	0	0	0
Protective Barriers	305	0	0	0	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
HVAC Energy Conservation Improvements	0	0	0	0	91,885	0	0	0
Interim Corrective Measures	0	0	0	0	11,590	0	0	0
6. OTHER PROJECTS								
ADP Relocation	0	400	0	0	0	0	0	0
Relocation Costs (Master Plan)	0	6860	0	0	0	0	0	0
TOTALS:	770	8,030	0	2,800	103,475	0	60	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

32-SMITHSONIAN INSTITUTION BUILDING-32

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecom
1. GENERAL REPAIRS & IMPROVEMENTS								
No Projects Identified	0	0	0	0	0	0	0	0
2. FACADE ROOF & REPAIRS								
Facade Restoration (masonry)	200	0	0	0	0	0	0	0
Window Replacement	2730	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION								
Smoke Detection/Sprinklers/Fire Zones	0	0	0	750	0	0	0	0
4. ACCESS SAFETY & SECURITY								
No Projects identified	0	0	0	0	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
Utility Systems Study/Energy Audit/Implementation	0	0	0	0	65	0	0	0
Misc. HVAC Projects	0	0	0	0	55	0	0	0
6. OTHER PROJECTS								
Structural Inspection & Pre-planning Study	0	150	0	0	0	0	0	0
TOTALS:	2930	150	0	750	120	0	0	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

33-ARTS & INDUSTRIES BUILDING-33

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecomm
1. GENERAL REPAIRS & IMPROVEMENTS								
No Projects Identified	0	0	0	0	0	0	0	0
2. FACADE, ROOF & TERRACE REPAIRS								
Roof & Facade Renovation	2,500	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION								
Smoke Detection/Sprinklers/Fire Zones	100	100	0	0	0	0	0	0
4. ACCESS SAFETY & SECURITY								
No Projects Identified	0	0	0	0	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
HVAC Renovation/Energy Conservation	0	0	0	0	12,500	0	0	0
Utility Tunnel Repair (including	0	0	0	0	7,900	0	0	0
6. OTHER PROJECTS								
No Projects Identified	0	0	0	0	0	0	0	0
TOTALS:	2,600	100	0	0	20,400	0	0	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

34-AMERICAN ART/PORTRAIT GALLERIES-34

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telcom
1. GENERAL REPAIRS & IMPROVEMENTS								
General Repairs & Attic Storage Space	0	230	0	0	0	0	0	0
Waterproofing & Detection	0	350	0	0	0	0	0	0
2. FACADE, ROOF & TERRACE REPAIRS								
Window Replacement	0	0	0	0	0	0	875	0
3. FIRE DETECTION & SUPPRESSION								
Fire Protection Improvements	0	0	0	675	0	0	0	0
4. ACCESS SAFETY & SECURITY								
Building Accessibility/Implementation Study	0	0	0	20	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
HVAC System Renovation	0	0	0	0	5,200	0	0	0
Test & Balance Air & Water Systems	0	0	0	0	35	0	0	0
Replace GPOB Steam Station	0	0	0	0	35	0	0	0
Misc. Electrical Wiring	0	0	0	0	0	45	0	0
6. OTHER PROJECTS								
No Project Identified	0	0	0	0	0	0	0	0
TOTALS:	0	580	0	695	5,270	45	875	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1 1987

35-NATIONAL AIR & SPACE MUSEUM-35

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecom
1. GENERAL REPAIRS & IMPROVEMENTS								
Paint Structural Trusses	0	125	0	0	0	0	0	0
Replace Third Floor Ceiling	0	200	0	0	0	0	0	0
2. FACADE, ROOF & TERRACE REPAIRS								
Plaza Surface Replacement	3,820	0	0	0	0	0	0	0
Roof Repairs	900	0	0	0	0	0	0	0
Facade Repairs/Water Intrusion	800	0	0	0	0	0	0	0
Skylight Replacement	4,500	0	0	0	0	0	0	0
Skylight Interim Repair	250	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION								
Fire Protection Master Plan Implementation	0	0	0	950	0	0	0	0
4. ACCESS SAFETY & SECURITY								
Emergency & Handicapped Door Replacement	30	0	0	0	0	0	0	0
Replace Floor Grates at Entrance Doors	0	0	0	100	0	0	0	0
Protective Barriers	275	0	0	0	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
Misc. HVAC Projects	0	0	0	0	100	0	0	0
Modification of Air Handling System	0	0	0	0	0	0	310	0
Replace Evaporator Tubes	0	0	0	0	0	0	100	0
Ramsey Room Special Air Handling Equipment	0	0	0	0	0	0	25	0
Chiller Modifications	0	0	0	0	0	0	50	0
6. OTHER PROJECTS								
No Projects Identified	0	0	0	0	0	0	0	0
TOTALS:	10,575	325	0	1,050	100	0	485	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

36-RENWICK GALLERY-36

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecomm
1. GENERAL REPAIRS & IMPROVEMENTS								
No Projects Identified	0	0	0	0	0	0	0	0
2. FACADE, ROOF & TERRACE REPAIRS								
Roof Repairs	125	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION								
Fire Protection Improvements	0	0	0	315	0	0	0	0
4. ACCESS SAFETY & SECURITY								
Emergency Lighting	0	0	0	50	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
Energy Study Implementation	0	0	0	0	800	0	0	0
Install Public Address System	0	0	0	50	0	0	0	0
Replacement of Cooling Tower	0	0	0	0	30	0	0	0
6. OTHER PROJECTS								
No Projects Identified	0	0	0	0	0	0	0	0
TOTALS:	125	0	0	415	830	0	0	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1997

37-FREER GALLERY OF ART-37

		Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecom
1.	GENERAL REPAIRS & IMPROVEMENTS No Projects Identified	0	0	0	0	0	0	0	0
2.	FACADE, ROOF & TERRACE REPAIRS Facade Pointing & Repair	325	0	0	0	0	0	0	0
3.	FIRE DETECTION & SUPPRESSION Fire Alarm Improvements - Gallery & Attic Levels	0	0	0	100	0	0	0	0
4.	ACCESS SAFETY & SECURITY Security System	0	0	0	0	0	125	0	0
5.	UTILITY SYSTEM REPAIRS & IMPROVEMENTS Modify Steam Heating System	0	0	0	0	200	0	0	0
6.	OTHER PROJECTS No Projects Identified	0	0	0	0	0	0	0	0
	TOTALS:	325	0	0	100	200	125	0	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

38-SILVER HILL FACILITY-38 -- 39-MUSEUM SUPPORT CENTER-39

		Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecomm
1.	GENERAL REPAIRS & IMPROVEMENTS								
	Road Repairs between Buildings 7 through 19	150	0	0	0	0	0	0	0
	Restroom for Disabled, Building 22 (NASM)	0	0	0	25	0	0	0	0
	Silver Hill Fence & Road Program	100	0	0	0	0	0	0	0
	Repainting & Repair of Building 28 (NMAH)	40	0	0	0	0	0	0	0
2.	FACADE, ROOF & TERRACE REPAIRS								
	Exterior Maintenance, Building 10	30	0	0	0	0	0	0	0
	Exterior Maintenance, All Buildings	250	0	0	0	0	0	0	0
3.	FIRE DETECTION & SUPPRESSION								
	Building 15 & 16 Sprinkler System Expansion (MAH)	0	0	0	50	0	0	0	0
	Buildings 25, 26, 28 - Fire Protection System	0	0	0	350	0	0	0	0
4.	ACCESS SAFETY & SECURITY								
	Safety Rails, Buildings 15, 16, 17, 18 & 19 (MAH)	0	0	0	170	0	0	0	0
	Building 10 Addition for Chemical Cleaning	0	0	0	200	0	0	0	0
	Public Address System (MSC)	0	0	0	50	0	0	0	0
	Road Maintenance (MSC)	40	0	0	0	0	0	0	0
	Exterior Lighting Modifications	0	0	0	0	0	100	0	0
5.	UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
	Uninterrupted Power Source (MSC)	0	0	0	0	0	25	0	0
	Buildings 7, 22, & 23 - Electrical Upgrade	0	0	0	0	0	40	0	0
	Buildings 22 & 23 - HVAC Upgrade	0	0	0	0	100	0	0	0
6.	OTHER PROJECTS								
	No Projects Identified	0	0	0	0	0	0	0	0
	TOTALS:	0	0	0	845	100	165	0	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

44-SMITHSONIAN ENVIRONMENTAL RESEARCH CENTER-44

		Exterior	Interior	Plumbing	Fire/Safety	HVAC	Electrical	Energy	Telecomm
1.	GENERAL REPAIRS & IMPROVEMENTS								
	Dock Structural Analysis & Repair	225	0	0	0	0	0	0	0
	General Repairs	180	0	0	0	0	0	30	0
	Road Repairs & Improvements	350	0	0	0	0	0	0	0
2.	FACADE, ROOF & TERRACE REPAIRS								
	No Projects Identified	0	0	0	0	0	0	0	0
3.	FIRE DETECTION & SUPPRESSION								
	Misc. Fire Protection (Field Lab., Admin. Bldg. Halon, Calf Barn)	0	0	0	20	0	0	0	0
4.	ACCESS SAFETY & SECURITY								
	Restroom Modifications (Visitor's Center)	0	0	0	25	0	0	0	0
	Access - Administration Building	0	0	0	25	0	0	0	0
	Security Gate	30	0	0	0	0	0	0	0
5.	UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
	Sewage System	0	0	200	0	0	0	0	0
6.	OTHER PROJECTS								
	Storage Building	0	0	0	0	0	0	0	0
	TOTALS:	785	0	200	70	0	0	30	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

45-HIRSHHORN MUSEUM & SCULPTURE GARDEN-45

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecomm
1. GENERAL REPAIRS & IMPROVEMENTS								
Parapet & Wall Ventilation	500	0	0	0	0	0	0	0
Court Sill (3rd & 4th Floor)	200	0	0	0	0	0	0	0
Balcony Glass & Gaskets	220	0	0	0	0	0	0	0
2. FACADE, ROOF & TERRACE REPAIRS								
Plaza Resurfacing and Landscape	2700	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION								
Sprinkler System/Ground Floor	0	0	0	80	0	0	0	0
4. ACCESS SAFETY & SECURITY								
Minor Safety/Security Projects	0	0	0	110	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
Air Economizer Modifications	0	0	0	0	25	0	0	0
Constant Volume System Conversion	0	0	0	0	250	0	0	0
Install Natural Gas Boiler	0	0	0	0	120	0	0	0
Pass Damper Loop	0	0	0	0	35	0	0	0
Waterside Economizer System	0	0	125	0	0	0	0	0
Valves for Chilled Water Coils	0	0	65	0	0	0	0	0
Steam Reheat Coil Replacement	0	0	0	0	270	0	0	0
Motor Control Replacement	0	0	0	0	65	0	0	0
Cooling Tower Replacement	0	0	0	0	90	0	0	0
Various Reheat Coil Replacement	0	0	0	0	20	0	0	0
Misc. Pump Replacement	0	0	35	0	0	0	0	0
Interior Lighting Modifications	0	0	0	0	0	25	0	0
6. OTHER PROJECTS								
No Projects Identified	0	0	0	0	0	0	0	0
TOTALS:	3620	0	225	190	875	25	0	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

46-ANACOSTIA NEIGHBORHOOD MUSEUM-46

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecom
1. GENERAL REPAIRS & IMPROVEMENTS No Projects Identified	0	0	0	0	0	0	0	0
2. FACADE, ROOF & TERRACE REPAIRS No Projects Identified	0	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION No Projects Identified	0	0	0	0	0	0	0	0
4. ACCESS SAFETY & SECURITY Install Elevator & Freight Lift	0	0	0	135	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS No Projects Identified	0	0	0	0	0	0	0	0
6. OTHER PROJECTS No Projects Identified	0	0	0	0	0	0	0	0
TOTALS:	0	0	0	135	0	0	0	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

48-COOPER-HEWITT MUSEUM-48

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecomm
1. GENERAL REPAIRS & IMPROVEMENTS								
General Repairs	120	0	0	0	0	0	0	0
Fence Restoration, Repair & Painting	50	0	0	0	0	0	0	0
Improvements to Elevator, Mansion	0	0	0	35	0	0	0	0
Miller House Elevator	0	0	0	180	0	0	0	0
New Vestibule - Employees Entrance	10	0	0	0	0	0	0	0
2. FACADE, ROOF & TERRACE REPAIRS								
Roof: Immediate Repairs & Replacement	325	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION								
No Projects Identified	0	0	0	0	0	0	0	0
4. ACCESS SAFETY & SECURITY								
No Projects Identified	0	0	0	0	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
Energy Study Implementation	0	0	0	0	750	0	0	0
Various Energy Conservation Measures	0	0	0	0	0	0	10	0
Air Handling Demolition	0	0	0	0	0	10	0	0
New Feeder & Starter @ AHU & Chiller Plant	0	0	0	0	0	20	0	0
Replace Electrical System - Miller House	0	0	0	0	0	60	0	0
6. OTHER PROJECTS								
Demolition & Preparation for New Mech. Rm.	0	120	0	0	0	0	0	0
TOTALS:	505	120	0	215	750	90	10	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

50-SMITHSONIAN INSTITUTION TROPICAL RESEARCH INSTITUTE-50

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecomm
1. GENERAL REPAIRS & IMPROVEMENTS								
General Repairs	300	0	0	0	0	0	0	0
2. FACADE, ROOF & TERRACE REPAIRS								
Painting of Structures	100	0	0	0	0	0	0	0
Roof Repairs at Various Sites	200	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION								
Fire Protection-BCI	0	0	0	65	0	0	0	0
Fire Protection-Various Sites	0	0	0	200	0	0	0	0
4. ACCESS SAFETY & SECURITY								
Petroleum Storage Facility-BCI	0	0	0	25	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
Upgrading of Water & Sewage-BCI	0	0	75	0	0	0	0	0
Sewage Collection & Treatment Plant-Naos	0	0	120	0	0	0	0	0
Communication Structure - BCI	45	0	0	0	0	0	0	0
Emergency Generator & Building-BCI	0	0	0	0	0	140	0	0
Seawater System Improvement-Naos	0	0	50	0	0	0	0	0
Emergency Generator & Building - Naos	0	0	0	0	0	175	0	0
Communications/Electrical - BCI	0	0	0	0	0	50	0	0
6. OTHER PROJECTS								
Dock Replacement-BCI	270	0	0	0	0	0	0	0
Dock - Gamboa	200	0	0	0	0	0	0	0
Boathouse Renovation - BCI	165	0	0	0	0	0	0	0
Miscellaneous Demolition - BCI	110	0	0	0	0	0	0	0
Administration Building Renovation - Tivoli	0	100	0	0	0	0	0	0
Aquarium Building Renovation - Naos	325	0	0	0	0	0	0	0
Lab Building Renovation - Naos	0	635	0	0	0	0	0	0
Dive Locker Addition	30	0	0	0	0	0	0	0
Floating Dock - Naos	70	0	0	0	0	70	0	0
TOTALS:	1,815	735	245	290	0	435	0	0

51-SMITHSONIAN ASTROPHYSICAL OBSERVATORY-WHIPPLE OBSERVATORY-51

	Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecomm
1. GENERAL REPAIRS & IMPROVEMENTS								
Road Repairs & Improvements	1,640	0	0	0	0	0	0	0
General Repairs-Whipple	300	0	0	0	0	0	0	0
General Repairs-Oak Ridge	160	0	0	0	0	0	0	0
General Repairs-Cambridge	70	0	0	0	0	0	0	0
2. FACADE, ROOF & TERRACE REPAIRS								
No Projects Identified	0	0	0	0	0	0	0	0
3. FIRE DETECTION & SUPPRESSION								
Multiple Mirror Telescope Fire Protection	0	0	0	50	0	0	0	0
4. ACCESS SAFETY & SECURITY								
No Projects Identified	0	0	0	0	0	0	0	0
5. UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
MMT Power Line	0	0	0	0	0	90	0	0
6. OTHER PROJECTS								
No Projects Identified	0	0	0	0	0	0	0	0
TOTALS:	2,170	0	0	50	0	90	0	0

BACKLOG OF ESSENTIAL MAINTENANCE & REPAIRS - SMITHSONIAN INSTITUTION - AS OF FEBRUARY 1, 1987

00-MISCELLANEOUS-00

		Exterior	Interior	Plumbing	Fire/Life	HVAC	Electrical	Energy	Telecom
1.	GENERAL REPAIRS & IMPROVEMENTS								
	Sidewalk Repairs & Parking Lot Improvements	250	0	0	0	0	0	0	0
	Emergency Repairs Throughout the SI	500	630	0	0	0	0	0	0
	Exterior Signage - Design & Implementation	350	0	0	0	0	0	0	0
2.	FACADE, ROOF & TERRACE REPAIRS								
	General Facade Renovations	1,000	0	0	0	0	0	0	0
3.	FIRE DETECTION & SUPPRESSION								
	No Projects Identified	0	0	0	0	0	0	0	0
4.	ACCESS SAFETY & SECURITY								
	Asbestos Abatement (including Master Plan)	0	0	0	4,000	0	0	0	0
	Security Lighting Mall Buildings/East Garden	0	0	0	2,150	0	0	0	0
	Emergency Power Study/Design	0	0	0	400	0	0	0	0
	Protective Barriers - South Quadrangle	50	0	0	0	0	0	0	0
	Window Protection - NASM, HMSG, NMAH	150	0	0	0	0	0	0	0
5.	UTILITY SYSTEM REPAIRS & IMPROVEMENTS								
	General Utilities Repair	0	0	0	0	100	100	0	0
	PCB Abatement/Electrical System Coordination Study	0	0	0	1,900	0	0	0	0
	Mall Master Raceway System	0	0	0	0	0	0	0	8750
	Lightning Protection - Various Sites	0	0	0	0	160	0	0	0
6.	OTHER PROJECTS								
	Advance Planning & Design Funds	0	1,450	0	0	0	0	0	0
	Combined Master Plan for SI Facilities	0	800	0	0	0	0	0	0
	TOTALS:	2,300	2,880	0	8,450	260	100	0	8750

Attachment C

NATIONAL ZOOLOGICAL PARK

BACKLOG OF ESSENTIAL MAINTENANCE AND REPAIRS
ON NATIONAL ZOOLOGICAL PARK OWNED BUILDINGS

AS OF MAY 25, 1987

The attached list contains the unfunded backlog of identified work which is required to repair or preserve facilities, assure continued operation of building systems and equipment, or bring buildings into compliance with life safety and health code/standards. The current program of building inspection and subsequent engineering studies will result in annual refinement of work contained in the backlog and cost estimates for performing the work.

BACKLOAD OF ESSENTIAL MAINTENANCE & REPAIRS - NATIONAL ZOOLOGICAL PARK - AS OF MAY 25, 1987

(In thousands of dollars)

Building	Labor Cost	Material Cost	Total Cost
Marmoset Bldg.	13,500	9,500	23,000
Quarantine Bldg.	4,500	3,500	8,000
Property Yard	20,000	10,000	30,000
Monkey Island	8,000	2,000	10,000
All Lesser Panda Yds.	10,000	5,000	15,000
Great Flight Cage	37,500	10,000	47,500
Crocodile Exhibits	15,000	15,000	30,000
Edu. & Adm. Bldg.	20,000	30,000	50,000
Glockenspeil	2,000	500	2,500
Conn. Ave. Gate	2,500	500	3,000
Panda Restroom	10,000	5,000	15,000
Beaver Valley Restroom	5,000	5,000	10,000
Main Restroom	10,000	20,000	30,000
FONZ Food Concess.	22,000	8,000	30,000
FONZ Retail Kiosks	3,000	500	3,500
Police/Safety/Health	20,000	10,000	30,000
Holt Mansion	301,206	101,603	402,809
Hospital/Research Bldg.	5,264	3,262	8,526
Pathology	1,095	172	1,267
Trash Compactor	756	155	911
Adams Mill Gate	6,756	4,095	10,851
Upper Bear Line	4,013	495	4,508
Polar Bear Line	77,671	152,525	230,196
Lower Bear Line	2,241	575	2,816
Line/Tiger Bldg.	11,240	17,607	28,847
Monkey House	19,704	2,852	22,556
Ape House	38,756	28,097	66,853
Sm. Mammal Bldg.	50,994	8,735	59,729
Propagation Bldg.	4,196	2,350	6,546
Elephant House	81,965	15,150	97,115
Black Rhino Yd.	5,277	679	5,956
Panda House	1,261	80	1,341
Delicate Hoof Area	21,231	12,437	33,668
Hardy Hoof Area	28,324	22,490	50,814
Deer Area	1,251	80	1,331
Bird House	4,065	1,480	5,545
Bird Yards	4,170	1,250	5,420
Eagle Exhibit	5,000	10,000	15,000
Reptile House	36,944	61,112	98,056
G.S.P.B.	26,368	21,850	48,218
Mechanical Plant	1,134	190	1,324
Railings	10,000	5,000	15,000
Signs	10,000	5,000	15,000
Storm Sewers	13,000	5,000	18,000
Guardrails	4,000	1,500	5,500
Boilerstack Inspection	15,000	---	15,000
Repair of Transp. Lot	16,000	4,000	20,000
GRAND TOTALS	1,011,882	624,321	1,636,203

Question: By rough calculation, almost none of the requested increases are being targeted at these problems, while the problems seem large enough to use all of the money Congress is likely to add to the Institution's budget in the near future. This seems to be almost a crisis. Are these problems growing or diminishing?

Answer: The backlog of essential maintenance and repair will grow, with the normal aging of the physical plant and the heavy and demanding use given the facilities and operating machinery within the buildings. Since annual funding levels in the Restoration and Renovation of Buildings account (for major restoration, repairs and equipment replacement) and the Salaries and Expenses account (for preventive maintenance and minor repairs) have failed to keep pace with the need over the past several years, the Institution has fallen behind in maintaining the facilities at an acceptable level of repair and preservation and in a condition to meet current life safety and health codes. The FY 1988 request for Restoration and Renovation of Buildings includes the amount of $11,959,000 for work currently in the backlog, and the amount of $540,000 requested in Salaries and Expenses will restore base funding in the Office of Plant Services for the repair and preventive maintenance programs.

Question: How does one assign higher priorities to new or expanded research activities when the literal walls of the Castle Building are cracking and the window sills are falling down?

Answer: It is correct that a large body of deferred maintenance and capital renewal work exists in Smithsonian buildings. With the possible exception of the heating, ventilation and air conditioning systems in the Natural History Building, however, no facility or its systems are at risk of structural or mechanical failure. It is further recognized that major projects, including the Natural History Building work, must be accomplished in a phased way since buildings, systems, and approaches cannot be totally closed down thus denying public and staff access and care of collections. Such a phasing will be a multi-year program over the next 10-15 years and continuing perhaps at a reduced level. It is anticipated that the Natural History project will begin in FY 1989.

As compared with projected large funding needs for building care, relatively small amounts are needed for selective strengthening of the program work of the Institution. Such program areas include research, exhibitions, education, administration and facilities operation and protection. Public service for a variety of audiences is inherent in such work.

Specifically research support is essential if the Smithsonian is to attract and retain an excellent professional staff of researchers who will produce high quality results of value to scientists and historians around the world. Additional funds are required for new tools and techniques and lines of study. Examples in the FY 1988 budget include molecular biology, Arctic studies and the application of new technology to the study of the universe. For such work in FY 1988 only $1.4 million in new funds is sought; the balance of the request of $1.6 million comes from our own efforts to redirect base funds from lower priority research work.

National Museum of American Art

Question: What is the current policy of the Museum on deaccessioning? Is this policy sound, in light of current acquisitions policies? How do we know what we should keep and what we should sell?

Answer: All deaccessions from the Museum's collection are made in accordance with the Museum's Collection Management Policy approved by the Smithsonian's Secretary and other appropriate officials of the Institution. Since the change of name in 1980 by Act of Congress from the National Collection of Fine Arts to the National Museum of American Art, the Museum has focused exclusively on American art and has begun a program of deaccessioned its non-American art, as well as selected items of American art. After careful review by the Museum's curators and director, and approval by the Museum's Commission and appropriate higher levels of the Institution (including the Board of Regents for objects valued at over $50,000), works may be deaccessioned when the Museum can no longer properly preserve or care for them; when in the context of the collection they are redundant, duplicative or of inferior quality; when their disposal would enable the Museum to upgrade, refine or fill gaps in the collection; when a work is incorrectly documented, described or attributed, or found to be a forgery; and/or when works are not of a type consistent with the Museum's mandate to collect. Before disposal, all works are first offered to other Smithsonian museums for their collections, and the original donor's name is always attached to new works purchased with proceeds from deaccessioned objects.

National Portrait Gallery

Question: The National Portrait Gallery is requesting an additional $145,000 for fiscal 1988, to provide for an additional conservator ($25,000), and for exhibits celebrating the Bicentennial of the United States Constitution ($111,000), and the Columbus Quincentenary ($9,000). What is the backlog of the Gallery as it relates to conservation? How many works of art does the Gallery own, of what ages, and what is the cost of not providing for adequate conservation?

Answer: The backlog of conservation work at the National Portrait Gallery includes: 50 to 100 works which require priority attention; and 200-300 works which are stable but need attention of some sort (works from this last group often get bumped to higher priority when they are requested for loan by another institution).

The Gallery currently owns approximately 14,500 works. In 1985, the collections totaled approximately 12,500 works and consisted of approximately 2,000 paintings, 2,300 prints, 7,500 photographs, 325 drawings, and 300 sculptures (as identified by a computer sort).

The Gallery does not have the computer capability yet to sort by date but approximately 1,000 works in the collection in all media are pre- 19th century. Approximately 6,500 are 19th century works, while approximately 6,000 are 20th century works.

The cost of not providing for adequate conservation is further deterioration of our our Nation's treasures, plus an increasing backlog.

Question: How much is in the base for exhibitions? Why does each new exhibition require additional funding? The Gallery has a base funding of $4 million. Is it the case that every new topic requires additional money for additional research?

Answer: The National Portrait Gallery spends from $250,000 to $300,000 of its base funding yearly for 2 major exhibitions and 3 to 5 smaller shows, all of which must ideally be planned 2 to 3 years in advance. Since each exhibition does not cost the same amount, the Gallery cannot establish the same base for exhibitions each year, nor can it rely on existing research in each case. Special exhibitions, usually commemorative in nature or assembled for a special occasion or event, are frequently proposed. In order to fulfill its mission, the Gallery must take advantage of these special commemorative anniversaries to present exhibitions that highlight the significance of the historic occasion. These are usually one-of-a-kind exhibitions, and require additional funding for additional research.

Question: Regarding the funding proposed for the Bicentennial, what is the relationship between the Gallery and the Bicentennial Commission? Are no outside funds being raised by the Institution?

Answer: There is no formal relationship between the Gallery and the Bicentennial Commission, except that the Smithsonian keeps the Commission fully informed about its plans. In addition to the Federal funding provided in FY 1987 and requested in FY 1988, outside funds are being raised for each of the Gallery's Bicentennial exhibitions.

Columbus Quincentenary Exhibition at the Hirshhorn Museum

Question: What is the purpose of the travel mentioned on page 110 as being in support of the Columbus Quincentenary? Who will travel, and for what purpose? How does this travel compare to the travel funded in the base program?

Answer: For FY 1988, additional travel funding is requested as part of the initial planning of a major exhibition commemorating the Columbus Quincentenary. This exhibition on international twentieth century art will feature artists from throughout the western hemisphere whose work is principally dedicated to or inspired by the themes of investigating unknown frontiers and new realms of information and experience. Curatorial travel to Central America, Mexico and Canada is essential in developing this exhibition. The curator-in-charge of the exhibition will have to travel more extensively and to more distant places than is required for the normal execution of the Museum's program.

Question: What will the Hirshhorn do regarding the Columbus Quincentenary if no additional funds are provided--will it still prepare and exhibit a show?

Answer: The Hirshhorn Museum will probably attempt to produce an exhibition for the Columbus Quincentenary in any case. Without additional funds, any such exhibition will be reduced drastically in size and scope.

The Center for Asian Art

Question: What were the one-time costs funded in the 1987 appropriation bill? What parts of those one-time costs were carried over into 1988? The justification shows a decrease of $310,000, and for 1988, related increases of $279,000 for equipment, for research, for publications and public affairs personnel, and for a silk-screen specialist. These changes net to a program decrease of $31,000. Does the Center have a backlog of collections management activities? Of hazardous conditions?

Answer: The FY 1987 appropriation of $310,000 helped fund the one-time only expense of the installation of the inaugural exhibition for the Arthur M. Sackler Gallery. None of the one-time costs were carried over into 1988. The sum of $179,000 is to complete programs in the Sackler Gallery that have already begun such as research, publications and public information. The sum of $100,000 is for the purchase of collection storage equipment for the soon-to-be renovated collection storage areas in the Freer Gallery. The Sackler Gallery does not have backlogs of collections management activities or hazardous conditions. However, the Freer Gallery has dangerously crowded collection storage areas.

National Museum of African Art

Question: What is the current staffing of the African Art Museum, and what are the short and long-term goals?

Answer: The current staff of the National Museum of African Art numbers 54. An increase of 2 positions is requested for FY 1988. The Museum's long-term goal is to have a full staff complement of 59 positions by FY 1990.

Question: The museum is requesting an increase of $230,000 in 1988. Will the future requirements dictate a continuing increase in funding? For example, the justification (p. 134) states that $40,000 is needed for automated systems development, and for shipping costs for major loan exhibitions. What are the base amounts for these activities? What is the base funding level sought for these activities?

Answer: The funding requested in FY 1988 will complete the initial program growth associated with the move of the Museum to the Quadrangle. Over the planning period from FY 1989 through FY 1993, the Museum currently anticipates program growth in areas such as conservation, publications, development of photographic archives, and the selective development of the permanent collection. Such program growth over this period will require 3 additional positions and $428,000.

The current base for automation is $75,000. The requested increase of $40,000 in FY 1988 would enable the Museum to add a computer specialist to the staff ($25,000) and would add $15,000 to the present base for annual maintenance, data communication, computer supplies, software, staff training, use of the central computer and the establishment of a cyclical replacement program for the equipment. It is anticipated that $115,000 would be retained as base funding for FY 1989 and following years.

The present base funding for shipping costs is $25,000. For FY 1988 an increase of $69,000 is requested to establish a funding base of $94,000 for packing and shipping costs for major loan exhibitions from the U.S., Europe and Africa. Loaned objects are a major source of exhibit materials. It is anticipated that this base amount would be retained for FY 1989 and following years.

SITES Columbus Quincentenary Programs

Question: The Smithsonian Institution Traveling Exhibition Service (SITES) is requesting an increase of $138,000 in 1988, to be used for support of the Columbus Quincentenary ($90,000) and for support for the new space in the Quadrangle ($48,000). Does the Institution anticipate hosting exhibits on Columbus's anniversary, or is the Institution requesting funds here to prepare exhibits to ship to other countries?

Answer: SITES is an outreach service, whose primary functions are the development and touring of exhibitions. SITES will not host exhibitions on the Columbus Quincentenary, but will organize and tour them nationally and internationally. The funds requested will be dedicated to curatorial research and travel, SITES administrative travel, particularly in the research and development stages of the projects, and exhibition production. The projects SITES intends to explore with this assistance follow a four-pronged approach:

(1) Work with Smithsonian bureaus on traveling versions of selected exhibitions in celebration of the Columbus Quincentenary which will circulate after their initial showings at museums on the Mall; possibilities include SEEDS OF CHANGE (National Museum of Natural History); AMERICA'S BEGINNINGS (National Museum of American History); and a panel version of TROPICAL RAINFORESTS (International Gallery).

(2) Collaborate with non-Smithsonian museums to develop traveling exhibitions; possibilities currently include one from the Florida State Museum on Spanish exploration of the Caribbean and the Southeastern United States; a show on the cultures of the Isthmus organized by curators from the Denver Art Museum and the Denver Museum of Natural History.

(3) Work with Latin American museums to provide them with low cost or no-cost exhibitions from SITES' program, using Quincentenary funds to subsidize production costs and shipping fees.

(4) Develop a SITES exhibition for national tour on the theme of the iconography of Columbus: the ways in which his name and image have been used throughout the Americas.

Question: What is SITES other workload that they will not be able to accommodate the Columbus celebration within available funding?

Answer: SITES is currently touring or developing a total of 143 exhibitions. In FY 1988 alone, 28 new exhibitions are slated to begin their tours. Staff and monetary resources--for exhibition research and production--have been fully committed to realize these exhibitions as well as to maintain the ongoing itineraries of exhibitions launched in previous fiscal years.

One of SITES' goals in organizing Quincentenary exhibitions is to work directly with Latin American museums in exhibition development, necessitating considerable research and travel, and staff travel to inspect their facilities and advise them on possible upgrades which would enable them to exhibit these objects safely (currently many Latin American museums do not have adequate environmental and security controls to host exhibitions of objects with high valuation or fragile materials). By offering low-cost traveling exhibitions to these museums, SITES hopes to solidify exhibitor relations with these institutions, sharing exhibition technology and current accepted museum practices, as well as meet the desire for exhibitions with cultural relevance to this event of importance to all countries in the hemisphere. The requested increase will permit SITES to undertake the expanded support required for Quincentenary exhibitions without compromising its support for its ongoing program of traveling exhibitions.

Public Service

Question: Why is the Assistant Secretary's office for Public Service not proposing any funding increases in 1988? What was requested by the Assistant Secretary? How much was supported by the Secretary? What was OMB's allowance, and was it appealed or not?

Answer: The Office of the Assistant Secretary for Public Service has proposed two funding increases to Congress for FY 1988. These proposals are reflected within the Special Programs section of the budget and include additional provisions for the Office of Folklife Programs and the National Science Resources Center (NSRC). Funds being sought will allow, respectively, $39,000 to conduct folklife research in preparation of the commemoration of the Quincentenary of the Columbus Exhibition in 1992; and $125,000 and 1 workyear to help support the core operations of the NSRC as it endeavors to develop projects and state and local-level networks to improve the state of American education in the sciences and mathematics.

The funding which was identified for the National Science Resources Center within the overall OMB allowance for the Smithsonian was the amount determined by the NSRC, the Assistant Secretary for Public Service and Smithsonian management to be required to help meet the FY 1988 core operating costs of the Center. No appeal to OMB was necessary.

The initial FY 1988 funding requests of the Assistant Secretary for Public Service were as follows:

UNIT	REQUEST TO SMITHSONIAN	REQUEST TO OMB	OMB ALLOWANCE
VIARC 1/	$ 21,000	-0-	-0-
SI Press 2/	19,000	-0-	-0-
	75,000	-0-	-0-
Folklife Prog. 3/	39,000	$ 39,000	$ 39,000
	50,000	-0-	-0-
Symposia & Seminars 4/	33,000	-0-	-0-
Elementary & Secondary Educ. 5/	15,000	-0-	-0-
Nat'l Science Resources Center 6/	100,000	150,000	125,000

1. Visitor Information & Associates' Reception Center - To fund an Intern Coordinator.

2. To purchase computer equipment and software for electronic publishing ($19,000); and to hire 3 new staff to create a museum services editorial and design section ($75,000).

3. To cover Columbus Quincentenary research costs ($39,000); and to conduct research and develop documentation on Black American traditions for annual presentation at the Folklife Festival on the Mall ($50,000).

4. To develop a cross-disciplinary seminar series.

5. To broaden the office's Regional Workshop program to local museums and schools nationally.

6. To help establish a core operating program.

The Directorate of International Activities

Question: What is the relationship between the International Directorate and STRI, which has the International Center preparing two workshops on tropical biology (for and additional $30,000)? What will be STRI's role in such workshops?

Answer: The Directorate of International Activities will coordinate the development of workshops on tropical biology which will include the participation of staff from several Smithsonian units including NMNH, the National Zoo, as well as STRI. Staff from these units representing various disciplines will plan, develop and participate in the workshops which will take place both at International Center facilities, (lectures) in the Natural History Museum (examining collections) and in the fields.

Question: What types of exhibits will the International Center have in its new space in the Quadrangle?

Answer: The wide range of continuing Smithsonian international programs, conducted in large measure in the developing regions of the world, provides the core subject matter for the exhibitions and other programs of the International Center in the Quadrangle complex. The International Center not only will complement the area interests of the National Museum of African Art and the Center for Asian Art, but also will focus much attention on Latin America, thereby enabling the Smithsonian for the first time to cover all of the developing world with programs ranging from the scientific and technical to the cultural and artistic. The objective will be to provide all levels of the public with carefully researched insights into this broad expanse of ancient cultures in new nations, now insufficiently known in the United States.

The inaugural exhibition, "Generations," is a good case in point. It is a multi-disciplinary, multi-cultural investigation of the arts and rituals associated with birth from ancient times to the present. Of particular importance will be the interpretation of non-Western materials in context, through concentration on the ways certain cultures view this subject, how they incorporate it in their world view, how they deal with its reality as well as its symbolism, and how they express these ideas and concepts in material form.

The second major exhibition in the International Center Gallery, "Tropical Forests: A Disappearing Treasure," will give the Smithsonian a special opportunity to present the results of its scientific work through an exhibition focusing public attention on the destruction of the world's tropical forests, the Earth's most biologically diverse habitat.

As we approach 1992, International Center exhibitions will focus on the cultures of the Caribbean and Latin America as part of the Quincentenary Commemoration.

Administration

Question: The budget proposes an increase of $165,000 for maintenance of the accounting master files. How much is in the base for this activity? Is there a backlog?

Answer: The budget proposes $150,000 additional for maintenance of the accounting master files and $15,000 for a new position, that of Technician in the accounting service unit to be established in the Quadrangle. The Institution has experienced a shortfall in its budget for computer costs for accounting at $100,000 for several years now; as the Congressional appropriation has increased in dollar amount and complexity, so have accounting requirements and files. The proposed increase would not only allow the Office of Accounting and Financial Services to stay current and process daily, but would also cover increased computer usage related to improvements planned in the accounting systems.

Question: Also, the budget proposes an increase of $56,000 for personnel services. What is in the base for this activity? The increase is partially justified on the basis that employees need counseling regarding the new FERS system. Will that be a continuing workload, or will the bulk of that effort be expended in 1987 and 1988?

Answer: The base for the Office of Personnel Administration is $2.9 million. Although a surge of implementing work is required in FY 1987 and partly in FY 1988 because of the Thrift Savings Plan (TSP) open seasons and the FERS conversion period, there will be a continuing additional workload brought on by FERS once it is in place. There will be two open seasons each year for TSP. Beginning in FY 1988, FERS employees will be able to choose from among three funds to invest their TSP savings. A loan program in which employees may draw loans from their TSP accounts will begin. Based on our experience to date, counseling employees on this new and complex program is a very labor intensive and time consuming effort. Currently, the Office of Personnel Administration has detailed staff to work on this new FERS program. At the conclusion of this implementation and conversion period, these employees must return to their regular assignments. During this period, the personnel staff must also get ready to implement the Immigration Reform and Control Act of 1986, a significant additional permanent workload. Should the proposed Civil Service Simplification Act be passed, that will be another major workload imposed upon the personnel office.

Question: Does the Smithsonian have a long-range facilities management plan? Again, it seems to me that the Smithsonian has gone through an extended period of expansion and existing facilities have been severely neglected. On the other hand, it seems that the Smithsonian has an adequate staff to analyze need and to plan, but what seems to be missing is money to repair facilities. Why does the Institution need to spend more on planning staff, rather than on repair?

Answer: The Smithsonian has developed a long-range facilities management plan. Through a continuous inspection program, the repair and restoration needs of the existing facilities are identified and compiled annually into a list of the backlog of essential maintenance and repair. From this listing a five-year plan is developed to implement correction, through the Restoration and Renovation of Buildings account (for major repairs and corrections, and the Salaries and Expenses account (for minor repair and preventive maintenance programs of the Office of Plant Services). Another important component of a comprehensive facilities program is the continual assessment of the appropriateness of existing facilities to support the ongoing programs of the Institution, and the definition of requirements for future expansion. The Institution's basic programs are necessarily dynamic, and natural growth is to be expected even without the addition of new programs. Expansion of available space is needed to house current research activities, collections storage and management functions, exhibitions, and education and public service programs. The planning staff requested in the FY 1988 budget for the Office of Facilities Services will make the study and resolution of these needs more systematic than is possible with existing staff resources, and will provide the Institution with an orderly plan for most effective use of existing space and for future facilities development.

Question: The same comment seems to apply to the needs in the hazardous materials area--it seems that the Smithsonian knows what needs to be done, if only it had enough money to go around. Is that accurate?

Answer: In some cases, such as asbestos, the needs have been partially identified. In other areas such as pollution abatement and environmental management, the areas have yet to be defined. We suspect some of the problems and are knowledgeable of others, but we have yet to define the magnitude of these problems. It is essential that we conduct a comprehensive survey to identify the scope of environmental and asbestos needs so that we can use a master plan approach to resolve them. Since there is a limited amount which can be accomplished in any given year, even with additional resources and manpower, planning is paramount to effectively allocate funds and personnel to priority concerns.

Question: The budget proposes an increase of $108,000 in the Office of Procurement and Property Management, and justifies it partly on the basis that additional capability is needed to handle increasingly difficult special projects and acquisition demands, such as the furnishings in the Quadrangle. However, that move is largely complete. Does it seem that the budget is requesting additional funding to handle last year's problem?

Answer: The Quadrangle was cited as an example of the major projects for which the Office of Procurement and Property Management provides purchasing contracting services. Such requirements are increasing in volume, complexity and dollar amounts and are consuming a disproportionate amount of senior management time in the office. Other current and prospective projects which should have been cited include the contract administration of construction projects at Smithsonian's Tropical Research Institute Panama, such as the Earl S. Tupper Research and Conference Center and other major improvement projects over the next several years including those at Barro Colorado Island. Other significant projects are the Freer Gallery of Art's additions and alterations and an increased program of restoration and renovation of Smithsonian buildings. Other areas involving major new procurements include the financial management system and related contract support for the Office of Financial Management and Planning and the numerous software systems developments, hardware procurement and technical support services for the Office of Information Resource Management.

Presently a staff of about 25 persons handles all aspects of the procurement and contracting work involving the expenditure of $60-70 million annually in excess of ten thousand transactions. A recent consultant's report on the office by a retired senior government procurement official commended the office for the technical competence and responsiveness to the Smithsonian needs and strongly recommended that its present staff be augmented with additional professional staff skilled in major procurements. This is the purpose of the FY 1988 request.

Adjustments to base

Question: Mr. Adams, the Smithsonian is requesting an increase of $5,880,000 in adjustments to base, in order to reflect the level of funding needed in 1988 in order to carry-out the 1987 program. I wonder if you would explain why the Committee should include the $862,000 related to the Smithsonian Institution's Environmental Research Center funding as a base adjustment? As I understand the Congressional action in 1987, this funding was transferred to a different account for construction purposes, and the number of personnel associated with the facility will be reduced from 53 in 1986 to 40 in 1987 to 28 in 1988. Were the funds transferred in 1987 previously used to pay for staff and for related support costs? Would you provide a complete statement for the record on this proposed adjustment?

Answer: Consistent with the Congress' interest in seeing the Institution periodically examine the effectiveness of programs and to redirect its base resources to other high priority needs, the decision was made to close the SERC-Rockville facility. With the release of the resources formerly dedicated to operations at SERC-Rockville, funds would be available to improve research capabilities in the Institution's mainstream biological activities. At the time the decision was made to close SERC-Rockville, the Institution made a conscious effort to transfer certain continuing priority activities from Rockville to SERC-Edgewater. Recognizing the need to provide additional laboratory and support facilities at Edgewater to house these activities, Congress approved an add-on to the Restoration and Renovation appropriation by applying the anticipated savings from closing the Rockville facilities during FY 1987.

During FY 1988 and following years, however, the restoration of this funding to the Salaries and Expenses appropriation is essential to the success of the Institution's long-term research objectives that prompted the closure of the SERC-Rockville. The restoration of the $862,000, along with the redirection of the sum of $738,000 that remained within the Salaries and Expenses base, results in the availability of $1.6 million within base resources to support molecular biology programs at the Smithsonian Tropical Research Institute, the National Zoological Park, and the National Museum of Natural History and to support interbureau fellowships in molecular biology.

The restoration of this funding has been requested as a base adjustment because: (1) the transfer of this funding has been required for a one-time need that could not be funded from the Salaries and Expenses appropriation but that was related to the base transfer of research activities from SERC-Rockville to SERC-Edgewater; (2) these resources will be returned to support research in the same field (molecular biology) as had been supported prior to the one-time transfer; and (3) the Institution's original decision to close SERC-Rockville was predicated on the assumption that these base resources would be available to reinforce molecular biology programs within the Institution.

OMB Grade Target Reduction

Question: On page 12 and 13, your justification addresses a proposed budget reduction of $373,000 as a result of OMB efforts to reduce average grades. Would you explain how you propose to implement this reduction? For example, are there some GS-schedules that will be exempt? Will this effort apply to all positions evenly?

Answer: The OMB target grade reduction worked out in collaboration with the Office of Personnel Management is aimed at grades 11 through 15 only. It has been implemented by assessing each of our activity groupings (e.g. "Research," "Administration") an annual dollar reduction target based on that group's number of positions in those grades.

Question: Would you provide, for the record, an analysis of how grade creep has affected the Institution over time? Should this be addressed by an across the board cut or should the reductions be taken selectively, in a few types of jobs?

Answer: From OPM's standpoint, the Smithsonian is rated "best" among mid-sized agencies in terms of the average indicators for the target group of grades 11-15. Between March 1983 and March 1986, the average grade of this group went down from 12.60949 to 12.58927. Information for March 1987 is not available. OMB has viewed this as a budget exercise with the dollar quota for grade target reductions to come from undesignated sources. From the Institution's standpoint, however, average grade reductions in this target group are inconsistent with efforts to attract outstanding research staff and to promote them as they gain stature in their fields and are able to demonstrate additional competence and responsibility. Turnover is relatively low so attrition does not contribute in a major way to grade reduction. OPM and OMB have not been receptive to the suggestion that research staff not be included in the reduction. For all other grades in the Institution, grade creep is not a problem with our overall average grade staying at about 8.3 over the years and actually a bit down from 1983.

Office of Protection Services

Question: What is the current and proposed staffing level for guards at all Smithsonian facilities? The budget proposes to shift $666,000 to hire additional guards from base work that is now complete, and states that the money is available, in part, by the elimination of summer hours. Please explain this.

Answer: Of the 722 guard positions identified as required for full security staffing in existing Smithsonian facilities, 616 have been previously authorized by Congress and 11 are requested in FY 1988. Because of a base shortage of $666,000 in salary and benefit funds brought about by a series of reductions to the Office of Protection Services operating budget, 26 of the previously authorized positions cannot currently be filled. In FY 1988 the Institution proposes to redirect base funds originally appropriated for the installation of the proprietary security system along with funding that was provided for extended evening hours at the major museums during the summer to cover the cost of the 26 positions. The funding for the proprietary security system is no longer required as the system is being completed in FY 1987. With regard to elimination of the summer hours, the Smithonian has had to make a choice between keeping all public areas of its museums and galleries open during regular visiting hours with an adequate level of security, and extending evening hours during the summer. Without full funding of the 26 positions, the frequent daytime gallery closings experienced in recent years will continue. While it is recognized that the summer program is of value, it is a costly program given the relatively few hours and small numbers of visitors served, especially when compared with the larger numbers of daytime visitors who are affected if some of the exhibitions are not available for viewing. The Institution strongly believes that it is a greater public service to provide full public accessibility during normal daytime hours than to extend the hours in the evening during the summer, and this is the basis for the decision to redirect summer hour funding to cover the salary shortfall.

Question: Please provide a detailed analysis for the record indicating the amount of savings to be achieved by eliminating summer hours, and listing some alternative methods of achieving comparable savings.

Answer: The cost of hiring guards to cover summer hours is $310,000. The evening hours for the summer extend the closing time at the National Air and Space Museum, the Hirshhorn Museum and Sculpture Garden, the National Museum of American History, the National Museum of Natural History, and the Smithsonian Institution Building to 9:00 p.m. The extended hours for one week at Easter time requires overtime by the permanent security force and costs approximately $25,000. The extended hours from Memorial Day to Labor Day, during which time an additional 140 GS-1 security aides must be hired, cost approximately $285,000. The Office of Protection Services does not have any alternative methods to employ to achieve comparable savings without causing a reduction in either the number of galleries to be open during the normal hours or a reduction in the number of days per week that the Smithsonian is open to the public. The estimated utilities savings associated with cancellation of summer hours is $130,000. The Institution is already employing utility conservation measures, and no further savings can be expected without curtailing normal operations. The FY 1988 requested increase for utilities is based upon the anticipated costs for regular operating hours only.

Question: Please provide for the record an analysis of the optional ways to provide coverage to all exhibition galleries and the comparable costs and benefits. For example, does it take a fully trained professional to provide the presence so important to deter damage?

Answer: The Smithsonian Institution has two levels of guards who patrol the exhibition galleries to provide security: grade 4 gallery guards and grade 5 museum protection officers (MPO). The gallery guards receive the two week basic guard skills class and are used only in the exhibition galleries. The MPO has had the two week basic guard skills class and the two week MPO class and has passed the weapons qualification instruction and firing course. The MPO is used on high security posts at entrances, loading docks, the second and third reliefs, and galleries with very high value collections. It is very important that the guard force receive this amount of training in order to provide an adequate security presence.

Optional ways of providing coverage to the exhibition galleries have been explored. The most obvious way would be to use contract guards. There is a considerable cost increase when contract guards are used. Comparable contract guards that are equal to our gallery guards cost 17.5% more and comparable MPO's are 32.5% higher and the security coverage is not as effective. Contract guards do not have the same loyalty to the job as a proprietary force. When contract guards don't show up for work, the contract must locate and send a replacement to report for duty and a gallery may have to be closed until that replacement arrives. (With a proprietary security force overtime can be used to cover the gallery.) The replacement guard called in generally would not be familiar with the museum or the alarms protecting the area he is guarding. Many contract guard companies perform a local background police check but do not have the ability to do the complete background check the Smithsonian does on guards hired. Security of the national collections is entrusted to the guard force and the Smithsonian has concluded not only that contracting for this service does not provide comparable quality security, but also that the cost is higher.

There is an alternative approach now being studied. The current regulations require that the guards that are hired by the government must be veterans or qualify from the Office of Personnel Management register. The study under way is to determine if there is a classification of personnel that could be used as an entrance level that would allow the hiring of non-veterans at the GS-3 grade. A determination must be made regarding the eligibility of these people to qualify at a later date for career advancement to the gallery guard or MPO position. This would allow us to train the people at an entrance level (GS-3) for less cost but still maintain the benefits of a proprietary security force.

Question: What is the average grade and the average degree of training for the guards?

Answer: The average grade of the uniformed guard force is GS-5.2, excluding the temporary GS-1 summer aide positions. The average degree of training is the initial two day orientation training, on the job training, morning formations every day before reporting to their post, the two week basic guard skills class, the two week MPO class, and weapons, qualification, and first aid training.

Question: Does the Smithsonian hire temporary or seasonal guard services for the summer months, or does it pay overtime?

Answer: The Smithsonian hires temporary summer aides to supplement the guard force from Memorial Day to Labor Day to enable museums to remain open beyond normal closing time. As the temporary summer aides leave at the end of the summer, overtime is required by the permanent security force to keep the galleries open for the extended hours. The extended evening hours at Easter are covered by the use of overtime by the permanent security force.

Question: How does the Smithsonian analyze its guard workload, and develop a staffing pattern?

Answer: The Office of Protection Services conducts security management surveys to determine protection requirements of Smithsonian facilities. Also outside experts are retained to conduct independent surveys of the facilities. Every quarter there is a survey done in each facility to determine the number of guards required. Security coverage is based on the concept of posts--the areas for which security officers are responsible. A post may be one point (for example, a museum entrance) or an area whose boundaries are determined by such factors as its use; crowd conditions; the value of objects on display; the vulnerability of those objects to accidental damage, vandalism, or theft; the effective field of vision of the assigned protection personnel; and the availability of electronic devices. The number of guards required to staff one post may vary from one (for a post staffed eight hours a day, five days a week) to five (for a post staffed 24 hours a day, seven days a week).

Office of Plant Services

Question: For the record, please show by facility the distribution of the budgeted increases. For supplies, for example, please indicate what will be acquired and where it will be used.

Answer: The components of the OPlantS' FY 1988 requested budget increase are: Personnel ($290,000), Supplies ($216,000), Equipment ($20,000), Contract Services ($11,000) and Travel ($3,000). All of these increases are being requested to correct existing base shortage problems. Since the personnel, supplies, equipment and contract services are used in all our facilities and their use will vary each year based upon workloads, it is difficult to be specific in the distribution of the requested increases for these items by facility. However, one can reasonably expect that the requested base increases will be distributed among all our facilities in somewhat the same proportion as the funds have been spent in past years. Therefore, based upon actual expenditures by facility in FY 1986, the distribution would be as follows:

($000's)

Facility	Personnel	Equipment/ Supplies	Contract Svc.	Travel	Total
MSC	15.0	12.0	.5		27.5
SI	15.0	12.0	.5		27.5
NMAH	49.0	40.0	2.0		91.0
NMNH	73.0	59.0	3.0		135.0
A&I	15.0	12.0	.5		27.5
AA/PG	29.0	24.0	1.0		54.0
Freer	15.0	12.0	.5		27.5
HMSG	12.0	10.0	.5		22.5
NASM	29.0	24.0	1.0		54.0
All Other	38.0	31.0	1.5	3.0	73.5
Total	$290.0	$236.0	$11.0	$3.0	$540.0

The FY 1987 base for supplies and materials is $1.3 million and $157 thousand for equipment and actual expenditures for FY 1986 were $1.5 million and $150 thousand respectively. These spending levels have been relatively consistent for many years (adjusted for inflationary increases) and are expected to be the same for FY 1987. As such, these funding levels represent the true cost of purchasing supplies, such as paint, wood, nails, filters, chemicals, oil, electrical supplies, etc., and equipment, such as vehicles, saws, sanding machines and paint sprayers, which are necessary and essential in meeting day-to-day responsibilities for the operation, maintenance and repair of all Smithsonian facilities. Actual items and quantities tend to vary from year to year, but the total cost remains relatively constant.
114.1

The base shortage problem for contract services involves insufficient funds to cover the cost of the annual contract for the inspection and maintenance of high voltage electrical equipment located in all Smithsonian facilities. OPlantS currently has a base of $61,000 to cover the cost of this contract. FY 1987 contract costs are $70,000 and FY 1988 costs are expected to be $72,000. The increase of $11,000 will bring the OPlantS base funds in line with the estimated costs for FY 1988 and preclude the need to lower maintenance standards.

The base shortage problem in travel involves insufficient funds to cover needed supervisory and management visits to evaluate the OPlantS personnel and programs in existence at the Cooper-Hewitt Museum in New York. These visits should be conducted quarterly but have not been accomplished due to insufficient travel funds. These visits not only verify that operational and maintenance functions are being performed properly, but can be used to assist in problem solving, employee counseling and employee rating functions, all part of the overall management responsibility of OPlantS.

OPlantS also has various oversight and compliance responsibilities over Smithsonian organizations in Panama, Arizona and Massachusetts which require annual visits. While these units have responsibility for their own facilities operations, including fleet management, OPlantS has responsibility for evaluating the success of their operations for compliance with Smithsonian policy and procedures and to assist these organizations in solving problems. While much can be accomplished through correspondence and over the telephone, personal visits have proven to be the best means of assuring that operations are using the most efficient and effective new procedures available.

The approval of the FY 1988 requested increase of $540 thousand will provide sufficient base funds for OPlantS to meet its responsibilities without the need to cover these costs through internal reprogramming of funds from other Smithsonian programs.

Question: Also, please elaborate on the proposed use for the base salary money requested. How is it that the budget proposes funding for salary costs but not for additional positions?

Answer: The total OPlantS base shortage problem dates back to FY 1981. Attempts have been made each year to obtain funds to correct this problem. The FY 1986 budget requested $560 thousand and restoration of the across-the-board 2% reduction imposed by Congress in FY 1985 ($241 thousand) to permanently correct the problem. Final Congressional action in the FY 1986 budget request approved only $316 thousand of the $560 thousand and did not approve the restoration of the 2% reduction. In addition, Congress imposed an additional .6% across-the-board reduction against approved funds which resulted in an additional loss of funds. The net effect of all these actions has resulted in the current base deficiency of $540 thousand, of which $290 thousand is in salary funds. This base deficiency in salary funds has resulted in OPlantS not being able to hire ten Utility System Repair/Operator positions which Congress has authorized in prior fiscal year budgets. This situation has, in turn, made it necessary for OPlantS to extend the time period in which it can respond to critical repair and maintenance needs in our facilities. If continued, the life expectancy of vital facilities systems will be significantly reduced and the risk of unplanned shut downs and expensive early replacement of equipment will increase. The requested increase of $290 thousand would provide sufficient funds to allow OPlantS to hire the ten positions which have been previously authorized by Congress.

Staffing for the Enid A. Haupt Garden

Question: Should the horticulturist budgeted for the Enid A. Haupt Garden be funded by Federal or non-Federal money? Please explain the overall policy for the record.

Answer: Care and protection of buildings, facilities and collections are a Federal responsibility except in those isolated and limited instances where an endowment of restricted trust funds has been provided to the Institution for some specific collection. This guideline for budget formulation decisions is in accord with long standing policy which was reviewed and reaffirmed by the Board of Regents at its May 5, 1986 meeting and reported in the minutes of that meeting. That policy states in part:

> "Federal appropriations are used as its primary source of support for basic research; the care, documentation, and exhibition of the national collections; education programs; maintenance, repair, renovation and construction of facilities; utilities and communications services; protection services to buildings and their contents; and for the general administration and management of the Institution's programs."

This policy statement reflects that the unrestricted trust funds are limited in amount, and their availability is in any year largely conditional upon the success of our auxiliary activities. They are neither adequate or guaranteed to be available for the above activities.

Construction

Question: Please show the obligation and outlay rates for the funds proposed for the Fred L. Whipple Observatory.

Answer: The following tables show the obligation and outlay rates for the design and construction of the Whipple base camp and access road by fiscal year.

Design	Obligation	Outlay
Road (FY 88)	$ 82,500	$ 82,500
Base Camp (FY 88)	165,000	165,000
Construction		
Road (FY 88)	$ 1,377,500	$ 517,000
(FY 88)		860,000
(FY 89)		
Base Camp (FY 89)	$ 2,845,000	$1,106,000
(FY 89)		1,739,000
(FY 90)		

Question: Also, please provide for the record the long-term construction plan for the Zoo and for the Front Royal facility. Are the plans developed with public review? Do they require authorization?

Answer: Following is a chart that outlines the National Zoological Park's improvement program for the period FY 1989-1993. The Rock Creek program is reviewed by the Commission of Fine Arts and the National Capital Planning Commission. Authorization for the Zoo's construction program is provided by 20 United States Code 81.

National Zoological Park
Construction and Improvements
FY1989 - FY 1993

	Projected Funding Levels				
Activity	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Master Plan (Rock Creek)					
Research Facility	3,300,000				
Olmsted Walk Landscaping	740,000				
Aquatic Exhibits	7,000,000	13,000,000			
Parking Facility		1,500,000	12,000,000		
Grassland & Forest Exhibits			1,500,000	7,000,000	8,000,000
Loop Trail Graphics					300,000
Rock Creek Renovations & Repairs	1,650,000	1,800,000	2,000,000	2,000,000	2,000,000
Development Plan (Front Royal)					
Water Systems & Hydrants	60,000	600,000			
Maintenance Facility	1,000,000				
Multi-purpose Animal Facility	500,000	4,500,000			
Wildlife Training Center (renov.)		165,000	1,650,000		
Road Improvements/Extensions		100,000	1,000,000		
Pachyderm Facility				1,000,000	10,000,000
Front Royal Renovations & Repairs	750,000	800,000	800,000	800,000	800,000
TOTAL	15,000,000	22,465,000	18,950,000	10,800,000	21,100,000

Question: For the record, please indicate how the Smithsonian plans its construction projects.

Answer: The procedure used by the Smithsonian in planning its construction projects involves identification of a need, defining the need in terms of physical parameters, developing budgetary costs for construction and operational expenses, obtaining required Congressional and regional authorization, and finally preparing the necessary contract documents to design and construct the building. Funding sources are developed as a parallel effort.

Identification of a need is usually generated by a bureau as the result of anticipating a new program, redirections of a established program or more intense work in a current methodology. Physical plant needs are then defined through either a conceptual analysis or a formal master plan, depending on the magnitude of the problem and its solution in terms of the degree or impact on other organization units. Budget estimates are developed during the conceptual planning phase.

This vital planning phase is the key to the ultimate success of the final product. The most effective way to provide comprehensive planning is to contract with an outside architectural and engineering firm specializing in major construction project development, but funds are generally not available at this phase of the project to provide this service. The Institution sought funds for construction planning in the FY 1988 budget but the Office of Management and Budget did not allow the request. A further attempt will be made in the FY 1989 request to obtain this funding as part of the Construction account to provide the capability for early review of alternatives and the establishment of good, sound conceptual plans and costs estimates for future expansion requirements.

Question: How does the Institution handle inflation in its cost estimates? Contingencies?

Answer: The Institution uses the inflation rates published by the Office of the Secretary of Defense. Contingencies are in two categories. The first is a design contingency of 10 percent which is a budget allowance for developing costs based on incomplete plans and specifications. The second is a construction contingency, also 10 percent, which is an allowance to cover change orders required to complete the actual work. This latter contingency is required to cover unknown conditions discovered during the course of construction.

Question: For each project provided for in the Renovation and Restoration account and in the Construction account please indicate the out-year staffing and funding implication.

Answer: Changes in staffing or other funding requirements are not anticipated as a result of the R&R projects identified in the FY 1988 budget request, as these projects are primarily for repairing or maintaining the existing physical plant. Only minor funding requirements are expected to be associated with construction of the base camp of the Whipple Observatory in Arizona. Current maintenance staff will need to be augmented with one fulltime equivalent ($30,000 annually) beginning in late FY 1990. In addition, an amount of $130,000 will be required for one-time purchase of equipment and furnishings, also in FY 1990. All other staffing requirements will be met with existing staff providing support services at the present base camp at Amado.

NASM World Atlas

Question: The Air and Space is requesting an increased appropriation of $24,000 to continue the development of a World Atlas composed of satellite images in commemoration of the Columbus Quincentenary. Will the proceeds from the sale of such an Atlas be available to the Institution for later use? For the record, please explain how trust funds are used in these instances, and why this activity is being funded by appropriated funds?

Answer: During the FY 1987 internal budget call to Smithsonian bureaus and offices, each bureau was asked to identify any proposed increases for programs related to the Columbus Quincentenary. The Air and Space Museum proposed the development of a World Atlas to commemorate the importance of technological advances in geography and cartography, both in the age of exploration and in the twentieth century. The World Atlas project was approved as one of the programs sponsored by the Institution to commemorate the Quincentenary and was included in the FY 1987 request for Federal funding of these programs.

With the FY 1987 appropriation of $12,000, the Air and Space Museum began the background research and planning for the Atlas. The $24,000 requested in the FY 1988 budget will be used to continue development, primarily the gathering of resource materials. No funding for the actual publication costs of the Atlas has been requested to date.

Either Federal or Trust funds may be used for publication projects at the Smithsonian, depending on the purpose of the specific project. Federally funded publications, produced by the Smithsonian Institution Press, include several discipline-oriented monograph series, exhibition catalogues, museum guides, brochures, annual reports, and similar manuscripts. Trust funded publications, produced by the University Press or Direct Mail division of the Smithsonian Press or by other Smithsonian organizations under contract with outside publishers, include scholarly, trade and special-interest publications. Proposals for Trust funded publications are submitted for review and evaluation to the Smithsonian Publications Council. There have been many instances of publications whose research has been Federally funded and whose actual production costs have been Trust funded. This is done because the research is contributing to the "increase of knowledge" aspect of the Institution's mandate.

Decisions on publications, including the distribution of the proceeds from the sales, are determined in the course of negotiating a contract with the publisher or GPO. In the case of the World Atlas, the publisher has not been chosen yet, therefore there have not been any specific discussions on the distribution of future proceeds. In accordance with general Smithsonian practice, any net proceeds that might become available to the Institution would be used to support public education and scholarly programs including future publications.

QUESTIONS SUBMITTED BY SENATOR JAMES A. MCCLURE

Additional Workday

Question: According to your justification, base funding is available for employee compensation for a 261-day workyear based on a 2,087 hourly rate calculation. The FY 1988 budget, however, contains 262 workdays and you have requested an additional $458,000 to cover additional employee salaries and benefit costs. Are most of your employees paid on an annualized basis? If so, why are you expecting increased costs?

Answer: While the General Schedule (GS) and Wage Grade Schedule (WG) by which Federal employees' salaries are determined are not adjusted for changes in the number of workdays each year, actual payroll costs do vary in accordance with the number of days worked. Personnel compensation hourly rate is determined by dividing the annual salary level from the GS or WG schedule by 2,087 hours regardless of the number of hours--or days--to be worked. This hourly pay rate is then multiplied by the number of actual hours worked in a fiscal year to calculate the actual payroll cost.

Current base funding is available for employee compensation based on a 261-day workyear at the "2087 hours per year" hourly rate. FY 1988 has 262 workdays and the requested increase of $458,000 is required to pay the increased personnel costs associated with the extra workday.

Question: Do you know why OMB did not allow other agencies to include funds for this purpose in their FY 1988 base?

Answer: We are unaware of the Office of Management and Budget's actions regarding other agencies' requests for funding associated with additional workdays. For FY 1988 and prior fiscal years having extra workdays, OMB has approved the Institution's request for increased funding. It is important to note that the additional funding is not added to the base and that the Institution decreases its budget request when the fiscal year has fewer workdays than the year before.

Tupper Laboratory and Conference Center

Question: You have requested an additional $567,000 for the Tupper Laboratory and Conference Center which your justification indicates is scheduled for completion in June of 1988. Sixteen new positions will be required to staff and operate this new facility. Funds are requested ($107,000) in FY 1988 to hire these positions mid-year in FY 1988 with full-year funding to be required in FY 1989. The remaining funds are requested for furnishings and equipment.

Your statement, however, indicates that you do not anticipate the facility to become operational until the end of FY 1988. Can you distinguish between the anticipated opening date stated in the justification and in your opening statement? Is the completion date for the facility still scheduled for next June? If so, what is the current estimate?

Answer: The Earl S. Tupper Research and Conference Center will consist of 4 buildings, an animal care facility, laboratory building, small dining facility and the conference center. The animal facility should be completed in early FY 1988. The laboratory, the center of the project, should be completed by June 1988, and the remainder of the project in the later part of FY 1988.

Question: What would be the impact of a delay in the opening date until the beginning of FY 1989?

Answer: Delaying the opening date for the Tupper Center would not substantially reduce the need for the requested funding in FY 1988. The major portion of the $567,000 is for equipment for the research laboratory and conference center. If we do not receive the funds in FY 1988, we would incur additional costs because of our inability to incorporate the installation of equipment into the construction process. The purchase of equipment emanating from the U.S. necessarily has a substantial procurement lag and the failure to order it early in FY 1988 would result in several months' delay in installation and operation of the facilities.

The positions requested for partial-year funding for FY 1988 will need to be hired and trained prior to the beginning of the relocation of program activities and operations to the Tupper Center. Delaying the opening date will not result in major savings of personnel costs, especially for the facilities maintenance positions which will need to be hired as the construction of the facilities is completed in order to ensure the proper functioning of the building's mechanical systems.

Closure of Rockville Facility

Question: The FY 1988 budget indicates that you have decided to close the Environmental Research Center located in Rockville, Maryland. This facility performs basic scientific research in regulatory biology, the study of mechanisms that regulate the growth and development of whole organisms down to their cellular and sub-cellular levels. What is the timeframe associated with this closure?

Answer: The Environmental Research Center in Rockville, Maryland, was officially closed on November 22, 1986, although lease arrangements, space planning and the disposition of equipment continued through April 1987.

Question: What was the annualized cost of this facility?

Answer: The FY 1986 operating base for this facility was $2,493,000.

Question: What are you proposing to do with these funds?

Answer: In FY 1987, these funds were used for costs associated with the closure of the facility; to support retention by the Institution of selected ongoing research activities; and to provide adequate laboratory and office space at SERC-Edgewater for ongoing research activities which were transferred from SERC-Rockville.

In FY 1988 and beyond, these funds will continue to provide support for those ongoing research activities retained by the Institution; and in line with the long-term objectives to build on existing strengths in evolutionary biology, the Smithsonian proposes the redirection of $1.6 million of these monies to support molecular biology activities in the National Museum of Natural History, the Smithsonian Tropical Research Institute and the National Zoological Park and for Smithsonian-wide fellowships in molecular biology.

Question: What research, if any, will be maintained elsewhere?

Answer: Four existing programs were transferred to other parts of the Institution namely, CO/2 monitoring, saltgrass marsh studies, ultraviolet-B radiation monitoring and carbon dating. In addition, the Institution is providing transitional funding for four programs to allow members of the professional staff to complete existing plant research programs. Following this transition period, the monies will be utilized in a fashion consonant with the Institution's long-term plans for biology.

Genetic Management of Rare and Endangered Species

Question: You have requested an additional $250,000 and 2 FTE's to establish a genetics laboratory. Researchers at the National Zoo have played, and continue to play, a key role in the development of genetic management strategies for small, captive animal populations at the national and international level. The new genetics laboratory is designed to expand knowledge in this area. Why is this an important role for the Smithsonian?

Answer: The field of molecular genetics is especially important for Smithsonian involvement because:

1. It can be used in the analysis of taxonomic or systematic relationships, thus improving our understanding of the processes of evolution and the relations among different organisms, a major mission of STRI, NMNH, and the Zoo;

2. It can be used to assess the relationships among different populations or individuals of the same species and thus permit the breeding of animals for the least degree of deleterious inbreeding; and

3. It can be used in theoretical studies of the evolution of social behavior and test models or hypotheses in the new area of sociobiology.

Question: Isn't this a role that is more appropriately filled by the Fish and Wildlife Service?

Answer: The Institution feels that the NZP genetics program is integral to its total research efforts and can only be fully satisfied with a genetics lab at the National Zoological Park.

Question: What are the annual costs of such a facility?

Answer: The annual costs of such a facility at the Zoo, including personnel, are about $250,000 per year.

National Zoo

Question: You requested an additional $382,000 for the National Zoo because the support of animal keepers, facilities personnel and general maintenance support costs have not kept pace with new facilities. The growing disparity is now causing very serious safety concerns.

These funds are primarily composed of seven animal keeper positions, two water quality positions, and routine maintenance support. Some of the necessary work is being done by personnel working overtime as well as volunteers and research assistants. Can you outline some of the safety concerns?

Answer: Because of the shortage of animal keeper positions at the Zoo, it is necessary from time to time to reassign keepers from one area to another. This is usually done when the Zoo is short staffed in one area or when it is necessary to meet emergency needs using overtime. The safety concerns surface when keepers are required to work in unfamiliar areas with different procedures for moving and caring for the animals. The Institution is concerned that reoccurring changes and short term assignments in unfamiliar areas will lead to a general decay of following established safety procedures in an effort to get things done.

Question: What is the annualized cost of the personnel working overtime as compared to the annual cost of the positions?

Answer: In FY 1986, the Zoo's animal departments had on average 70 animal keeper positions with an annualized salary (not including benefits) of $1,629,000. The overtime for the departments added an additional $37,000 to the salary costs. For FY 1988, two animal keeper positions (2 workyears and $40,000) are specifically requested to reduce this dependency on overtime. Without the need for such overtime, the funding previously redirected to pay for these overtime costs can be returned to the Zoo's needs including its scheduled equipment replacement program.

Question: Why do you not feel that volunteers and research assistants currently used at the Front Royal facility are not capable for these positions?

Answer: In the short run it is possible to support a new facility in part with volunteers and research assistants but as a long-term management plan you must have a permanent staff. The volunteers and research assistants have done an admirable job for us, one that is essential to our total program. However, we can no longer rely on their support in operating our animal care and research programs. We must have permanent employees with long-term vested interest who are fully responsible.

Question: Can you elaborate on the additional $184,000 for supplies and materials for essential, routine maintenance programs?

Answer: In the past few years the Zoo has added new exhibits and facilities at both Rock Creek and Front Royal. The $184,000 will be used to increase our base funding for general maintenance at the park. Specifically the funds will be used to purchase electrical and plumbing supplies and other day-to-day maintenance items.

Molecular Systematics Laboratory

Question: You have requested $450,000 to establish a Molecular Systematics laboratory. The field of molecular systematics is rapidly developing and your justification indicates that a "state-of-art" laboratory is necessary to remain abreast of modern thought in systematic biology.

The Justification also indicates that a "modest beginning" is necessary to work through an initial learning phase before beginning to employ complex techniques on a larger scale. What is your long-term plan for this laboratory?

Answer: When fully operational, the laboratory will be used to support systematic and evolutionary research over a complete range of plant and animal groups. Techniques to be emphasized are protein electrophoresis, restriction endonuclease analysis, and sequence determinations of both proteins and nucleic acids. This research will enable scientists to understand better the nature of biotic diversity throughout the world, and to identify by these new methods those species of plants and animals of importance as potential sources of products (foods, drugs, ets.) useful to humans.

Question: What are the annual costs involved once the initial learning phase is complete?

Answer: Total anticipated cost for a fully operational laboratory is projected to be $1,174,000 per year. A detailed budget projection is provided below:

	FY 1988		FY 1989		FY 1990		FY 1991	
	FTP	$(000's)	FTP	$(000's)	FTP	$(000's)	FTP	$(000's)
Personnel	4	131	14	425	21	629	26	785
Travel		119		200		100		100
Supplies		50		121		154		189
Equip.		150		661		575		100
TOTAL		450		1,407		1,458		1,174

National Arctic Studies Center

Question: You have requested an additional $200,000 to establish a National Arctic Studies Center. The Smithsonian is a participant in the Arctic Research and Policy Act of 1984 which mandates a coordinated national policy for arctic research. As a participant the Smithsonian has been recognized as a major entity having purview of basic research in anthropological, cultural studies with a broad ecological perspective. Could you describe how the national policy for arctic research has been coordinated.

Answer: Arctic research currently is being coordinated by the Interagency Arctic Research Policy Committee (IARPC) through monthly meetings administered by the National Science Foundation's Polar Programs Office. Agency funding for arctic research is monitored by this group, and areas of cooperation and collaboration among agencies are planned through the IARPC. Major program proposals are reviewed and discussed jointly to determine areas of mutual agency interest and overlap, but each agency is responsible ultimately for its own proposals and budget. A major activity of the IARPC has been to analyze federal arctic research programs and funding and to prepare a 5-year research plan to guide future research development in this area. The plan has been completed and will be submitted to Congress and the President in summer 1987.

The Smithsonian was responsible for developing the section of the Arctic Research-Plan devoted to social science and cultural research. New research initiated by federal agencies in arctic areas should follow the recommendations in this plan, which will be revised every two years.

The Smithsonian also participated in developing the land-based research plan in basic biology and ecology adopted by the IARPC and has special expertise in important areas of arctic biology.

Question: Has the Smithsonian been designated the lead agency or a participant?

Answer: The Smithsonian has not been designated a lead agency, although it is best equipped to take the lead in cultural research and in particular areas of botanical and zoological study. A major recommendation of the plan for arctic research is that a lead agency be designated for arctic social science research. At present there is no lead agency in this area. Apart from the Smithsonian, the National Science Foundation is best positioned to play a key role in basic arctic research. Both the Smithsonian and the NSF have scientific and educational missions and are not responsible for management, regulation, and enforcement. In terms of existing programs, however, most arctic social science research, limited as it is, lies within the purview of the Department of the Interior.

Question: Could you describe the funding levels requested in FY 1988 by other agencies participating.

Answer: The Institution does not have detailed information concerning funding proposed by other agencies for arctic research. This information would be available from the Interagency Arctic Research Policy Committee coordinator in the NSF Polar Programs Office. The Institution has been informed, however that the other agencies are not requesting funds for the kind of basic research in systematic biology and anthropology being planned by the Smithsonian. The Smithsonian's programs are the only new initiatives in these areas to date.

Question: How has your request for FY 1988 and your long term plan been coordinated with those other agencies?

Answer: The Smithsonian's plan has been discussed in general at the IARPC by representatives of the other U.S. agencies and has received their verbal endorsement. (The IARPC does not have a policy of endorsing agency proposals formally in writing.) Similarly, the Institution's proposal has been discussed among IARPC and with representatives of other federal agencies in Washington. In addition, contacts have been made with the regional offices of federal agencies in Alaska, the Alaska state government, and academic organizations in Alaska. The Center will fill a major gap in federal programs devoted to basic research in arctic anthropology and the biological sciences and will build upon an impressive history of previous Smithsonian research in this area. Finally, the Center will serve as a coordinating body for international arctic research through its fieldwork, publications, and fellowship programs and through international exhibitions, lectures, and other programs.

Columbus Quincentenary/Air and Space

Question: You have requested an additional $24,000 in FY 1988 to continue the development of a World Atlas composed of satellite images in commemoration of the Columbus Quincentenary. This funding, along with $12,000 provided in FY 1987 and $176,000 in the outyears, will be used by the National Air and Space Museum to produce a World Atlas composed of satellite images to commemorate the Columbus Quincentenary.

The publication of such an atlas will enhance the public understanding of satellite remote sensing and provide a major reference work on world physiography and natural features. I can understand the desire to publish such an atlas but how does it relate to Christopher Columbus?

Answer: The voyages of discovery made by explorers of the 15th and 16th centuries marked a major leap in geographical knowledge that has been unsurpassed until the recent explorations of the Moon and planets. In the last 25 years a similar revolution has occurred, the use of spacecraft and manned missions to chart and study unknown and inaccessible regions of the Earth. A publication utilizing the results of these voyages will be made not just for commemoration of the one-time "discovery" of America, but for the entire process of exploring and charting the unknown.

Question: Are you attempting to commemorate Columbus or are you using the Quincentenary as an excuse to publish an atlas?

Answer: The publication of such an Atlas will be a lasting memorial to the Columbus Quincentenary. The Quincentenary provides not an excuse, but an opportunity to increase and diffuse the leap in geographical and physical knowledge of the Earth gained through various manned and unmanned space missions.

Question: What makes the Smithsonian better equipped to perform this task instead of the U.S. Geological Survey?

Answer: In fact, the Smithsonian alone is not better equipped to publish such an Atlas. We plan to seek cooperation in both funds and manpower from the United States Geological Survey, National Aeronautics and Space Administration, National Oceanic and Atmospheric Administration, the European Space Agency, Indian Space Research Organization, the French SPOT Corporation, and other national and international agencies. The Smithsonian is in a better stance to create a truly international effort that will utilize such activities and results of many countries.

New Research Center for the Study of American History

Question: You have requested an additional $76,000 in FY 1988, to provide program administration for the new research center for the Study of American History. Can you describe this new research center and how it would coordinate with other efforts relating to American history?

Answer: The Center will coordinate the full range of the NMAH's academic programs, fellowships, interns, and cooperative ventures with other universities and museums, the coordination of which is currently fragmented. This is the only national research center with all of American history as its domain and with a special emphasis on American material culture. It is, moreover, the only national center seeking to synthesize social and cultural history, on the one hand, with the history of science and technology on the other. The opportunity is substantial. The NMAH funds more research in American history at the pre- and post-doctoral level than any organization in the world.

Question: If this is a coordinating effort for American history, do you feel efficiencies should increase?

Answer: Over the long term, efficiencies will increase as we consolidate currently fragmented programs. These efficiencies will not, however, yield fewer staff members. But they will release the Department of Public Programs, the curatorial departments' Chairman's office, and individual curators, from some of the administrative responsibilities they now have, yielding greater program productivity.

Question: If so, why are additional funds necessary? Shouldn't existing staff and facilities be adequate for this purpose?

Answer: In addition to the current staffing and resources of the individual research programs, the Museum requests two new positions and support funds to develop the program coordination and inter-disciplinary overview for the research center. This increase is needed to support the expanded level of research support required by the new structure and to promote greater productivity by current research efforts.

Essential Maintenance and Repair

Question: In a March 10, 1987, letter to the Honorable Sid Yates, you indicated that you have $216 million of facilities maintenance and repair requirements in the coming years. Your justification indicates the increase of $1,279,000 requested in the Restoration and Renovation Account reflects the "Institution's need to increase the level of annual funding to begin elimination of the extensive backlog of essential repair projects." Is $1,279,000 the total amount directed toward this effort in FY 1988?

Answer: No, this is not the total amount to be devoted to elimination of the backlog in FY 1988. Most of the total request in the Restoration and Renovation Account for FY 1988 will be used for work included in the backlog. A amount of $11,959,000 will be used to accomplish backlog requirements, such as repairs or replacements of facade, roof and terrace elements and utility systems, installation of fire protection and suppression systems, modification of buildings to assure compliançe with fire and other life safety and health codes, and inspection and planning for future backlog projects.

Question: What are your long-term plans to eliminate this backlog?

Answer: The Smithsonian's plan is to increase the annual funding levels in the Restoration and Renovation budget to $30 million in FY 1989, and to $45 million beginning in FY 1990 in order to accommodate the work included in the backlog of essential maintenance and repair. Although small portions of the annual funding will be used for building alterations essential to maintain current programmatic operations, most of the funds each year will be devoted to elimination of the backlog. In addition, a new category within the R&R account will be proposed to address the comprehensive equipment and system replacements that must be done cyclically to the older buildings in order to maintain full operations of these facilities. The amount of $10 million is contemplated for FY 1989 for this new Major Capital Renewal subaccount, and this level may be increased to $15 million annually in subsequent years. Additional staff will be requested to manage the larger Restoration and Renovation program in the FY 1989 Salaries and Expenses budget. If the anticipated funding levels are realized, the Institution plans to have eliminated the major portion of the backlog by FY 1993. Some portions cannot be completed within this period, however, such as the work to be done under the Major Capital Renewal program as this work must be phased over many years in order to avoid major disruption to ongoing programs and public activities. It is also expected that further inspection of the facilities will uncover other existing deficiencies not currently included in the backlog and, of course, new repair and maintenance requirements will continue to be identified as the buildings age.

Question: If this is such a high priority, why are you requesting funds to start new projects which require a financial commitment in future years (new Tupper Laboratory and Conference Center, new laboratory for the Genetic Management of Rare and Endangered Species, new Molecular Systematics Laboratory, new National Arctic Studies Center, new research center for the Study of American History)?

Answer: The FY 1988 budget request for the Smithsonian recognizes the continuing reality of fiscal restraints, and at the same time it reflects a continuing emphasis on the Institution's top priorities: research, accountability for collections and inventory control, the maintenance and renovation of its physical plant, and a commitment to establish an adequate level of safety and security programs consistent with statutory and regulatory requirements. The budget formulation process was guided by the assumption that only very limited program growth was possible and only in those areas of critical importance to the future of the Institution. At the same time, through a careful assessment of its base resources, the Institution redirected funds from low priority activities and from certain nonrecurring costs to other new requirements, higher priority activities, promising new initiatives, and support functions where troubling budget deficiencies have existed for some time.

Over the past several years, the Institution has focussed its efforts to providing increased funding to maintain and renovate its facilities and to address the long-term backlog of serious facilities maintenance needs. The Institution's efforts are demonstrated in the historical growth of the Restoration and Renovation of Buildings appropriation, increasing from a level of $2.4 million in FY 1978 to the current request of $14.3 million for FY 1988.

Although the R&R appropriation has grown, the backlog of essential maintenance and repair work has increased as well. Earlier this year, the total cost of these projects was estimated to be $216 million, as indicated in Secretary Adams' letter to Representative Yates, dated March 20, 1987. Even in the face of tighter restraints on Federal funding, the Smithsonian is committed to seeking increased funding for the elimination of these essential repair and maintenance backlogs.

Even though the critical nature of the extensive backlog of essential repair projects should not be understated, it is important to understand that a careful balance must be maintained between making progress towards eliminating this backlog and providing sufficient operating funds to allow the Institution to fulfill its mandate to increase and diffuse knowledge. Since the frontiers of knowledge continue to expand, so must the Institution continue to uphold its responsibilities in research, care of the collections, and education and public outreach.

For a fuller discussion of the Institution's budget priorities, please refer to Secretary Adams' testimony and related material inserted for the record presented earlier in this hearing (following the Secretary's opening statement).

Question: Please provide a list of new projects, and required funding, proposed in FY 1988.

Answer: A listing of program increases requested for FY 1988 is submitted for the record following the Secretary's opening statement. The majority of these increases do not represent "new projects," but provide adequate funding to eliminate several serious long-standing base deficiencies, continue initiatives funded in FY 1987 and previous years, and provide additional funding for ongoing programs.

Water and Sewer Payments to the District of Columbia

Question: In the past, water and sewer payments have been made through a lump sum appropriation. Your opening statement, however, indicates that OMB recently recommended that individual users make payments to the District based on actual usage. The FY 1988 budget includes additional funds for GSA facilities under their purview but funds are not included for other government organizations that occupy their own facilities. What is the status of this OMB recommendation?

Answer: At present, the costs of water and sewer services for Federal establishments located in Washington, D.C., are included as a lump sum in the Federal appropriation to the District of Columbia. OMB Bulletin 87-9, issued on February 24, 1987, provides the most recent guidance that the Institution has received concerning OMB's proposed changes on water and sewer payments to the District of Columbia. It states that "all Federal establishments that own property in the Washington, D.C. area" make payments directly to the District Government for these services, beginning in FY 1988. No further guidance has been received from OMB regarding how this change in payment procedures will be implemented.

Question: When did you become aware of this recommendation?

Answer: The Smithsonian first became aware of OMB's possible recommendation in informal discussions with our OMB examiner in late 1986 and January 1987. However, the OMB Bulletin was not issued until February, after the FY 1988 budget request had been submitted to Congress.

Question: Are you working with OMB on a budget amendment for these cost?

Answer: We understand that, in lieu of the lump sum appropriation heretofore made to the District on behalf of Federal users, additional funds are now included in the FY 1988 budget requests for various Federal agencies that are affected by this proposed change. However, no additional funds are included in the request for the Smithsonian for these uncontrollable costs because we were not made aware of the proposed change until after our FY 1988 budget request had been submitted to Congress. We have discussed the possibility of a budget amendment for this purpose with our OMB examiner, but have been informed that such a budget amendment is not likely to be approved.

Question: If additional funds are not provided, what projects will you eliminate or scale back in order to accommodate this unanticipated cost?

Answer: For the Smithsonian, the proposed change in payment procedures will result in an unfunded cost of approximately $3.5 million in FY 1988. The further requirement of OMB Bulletin 87-9 for a payment adjustment based on the variances between actual and estimated consumption for fiscal year 1985 through 1987 would probably result in an additional unfunded cost, although it is virtually impossible to determine this cost with data currently available.

If additional funds are not provided to the Smithsonian for these uncontrollable costs, the impact of this policy change would be to greatly hinder the Institution's ability to conduct its research, curatorial, exhibition and public education responsibilities.

In response to discussions with staff from the Senate Appropriations Subcommittee on the District of Columbia, the Smithsonian provided a summary of the situation and its impact on the Smithsonian so that the Subcommittee would have all necessary information available as this issue is considered. A copy of the letter was also sent to the Senate Appropriations Subcommittee on the Dept. of the Interior and Related Agencies.

Air and Space Museum Annual Visitation

Question: Can you explain why annual visitation at the Air and Space Museum is falling off from 15 million in FY 1984 to 7.7 million in FY 1986?

Answer: The National Air and Space Museum's attendance in FY 1984 of 15 million was an exception to normal attendance patterns. Prior to FY 1984 our highest attendance was 9.8 million in FY 1983. In FY 1986 our attendance decreased to 7.7 million for a number of reasons. The increased security at

NASM caused a closing of the NASM parking garage to the public in June 1986. These same increased security measures required the closing of most of the outside entrances to establish specific entry security posts at two main entrance doors. The required inspection of all bags and cases entering the building has provided the opportunity for guards to make a more precise count of the number of visitors. The lack of extended evening hours in the summer of FY 1986 contributed to approximately 475,000 fewer visitors. The new film "On the Wing" has not proven to be as popular as the film "The Dream is Alive" which premiered in June 1985.

Commemoration of the Columbus Quincentenary

Question: Over the next five years, the Smithsonian will be spending a great deal of time, money and effort to commemorate the 500th anniversary of the landing of Christopher Columbus in the Americas. Can you explain your plan as well as the anticipated costs of that effort?

Answer: The 500th anniversary of Christopher Columbus' voyage to the Americas will be observed nationally and internationally in 1992. Columbus' search to find other worlds led to the creation of a new world; the Americas resulted from contact, clash and encounter of distinct cultures in the diverse ecosystems of the Western Hemisphere. The voyage of Columbus was courageous and visionary; however, the historical significance of this event continues to be profound, complex and wide-ranging in scope.

The Smithsonian Institution's Quincentenary program, "The Americas: Past, Present and Future," will explore the intellectual, cultural and ecological diversity of the Americas. In order to unravel this interwoven complex and, at the same time, present a synthesis of the expansiveness of the Encounter, the Smithsonian's Quincentennial scholarly and public programs will focus on four contiguous thematic areas. They are: 1) Magnificent Traditions: The Cultures of Spain and the Americas; 2) The Dynamic of Encounter; 3) The Continuity of the Encounter Process; and 4) The Next Five Hundred Years. Programs will be developed between FY 1987 and FY 1991; the majority of the programs will occur in FY 1991 and FY 1992.

Magnificent Traditions

Through this theme the Smithsonian programs will explore the cultures of Spain and the Americas as societies with long histories of heterogeneous population and cultures whose heterogeneity was expressed through material culture.

The National Portrait Gallery has developed an exhibit that will afford the North American public an opportunity to view the portrait treasures of the great Spanish nation and begin to understand the culture that set into motion the great voyages of 1492.

The Cooper-Hewitt Museum, in New York City, is planning an exhibit which will show the impact of Islamic culture on the textile and tile traditions of Spain. The show will illustrate how Spain had a long history of assimilating new traditions into its own.

The Directorate of International Activities with the National Museum of Natural History will sponsor a public symposium on "The First Americans: Ice Age Origins." Invited scholars will address a general audience in September 1987 and discuss the major issues of the first human migrations into the new world.

Dynamic of the Encounter

The Smithsonian will explore the complexity of the Encounter as a dynamic process which brought into being a new world and dramatically changed the old world.

The National Museum of Natural History is planning a major exhibition titled "Seeds of Change" that looks at the exchange of plants, animals and disease that took place as a result of contact. Transferred to new settings, these "seeds of change" became powerful catalysts of change--with immense consequences for humankind. Sugar is one of the "seeds of change" the exhibition will focus on. Introduced by the Spanish into the Caribbean after contact, sugar completely changed the culture and ecology of the lands to which it was brought--playing a major role in the establishment of the African slave trade. The history of corn, the potato, the horse and small pox will also be presented.

In addition to the "Seeds of Change" exhibition, the Museum is collaborating with the Smithsonian's Directorate of International Activities in presenting a series of five Quincentennial symposia. The aforementioned "Americans Before Columbus: Ice Age Origins" will be the first of these.

The National Museum of American History has developed an exhibition that will explore the social and economic interrelationship that evolved during the 17th and early 18th centuries between European and indigenous populations in three regions: the Atlantic Coast, the Great Lakes and the Rio Grande Valley. These relationships will be described in the context of the contrasting attitudes of Native Americans and Europeans toward the continent's natural environment, specifically, the uses of timber, fish, beaver, tobacco and mineral resources and the implications of those attitudes for 20th-century Americans.

The Smithsonian Institution Traveling Exhibition Service (SITES) will be cooperating with the Museum of American History and the Museum of Natural History in the national circulation of their exhibitions.

In March 1988 the Directorate of International Activities will sponsor "Explorations, Encounters and Identities: Musical Repercussions of 1492," a scholarly forum which will examine the musical encounter of two worlds. This conference will initiate a series of public programs based on the themes raised.

The Continuity of the Encounter

1492 marks the initial encounter of old and new world people. The Smithsonian will explain through exhibitions and public programs how the process and symbols of the Encounter have continued through five centuries.

The Office of Folklife Programs will examine the contemporary character and historical roots of New World encounters through a series of symposia and "living museum" exhibitions exploring cultural and social manifestations associated with important foods and crops. Three symposia, entitled "The Seeds of the Past, "The Seeds of Commerce," and "The Seeds of Industrialization," will focus on specific crops in the development of ecological, economic, social and cultural systems in the Americas. The cumulative results from each of these symposia will serve to develop the "living museum" exhibitions on the Mall in 1991-1992.

The National Museum of American Art has developed an exhibition entitled "The Promised Land: Images of Western Expansion." The exhibition will illustrate how the urge to continue the search for new lands in the nineteenth-century became a national movement known as "Manifest Destiny" in which the West was cast as a new Eden - just as Columbus had described his first view of the American continent. Painting and sculpture of the period convey a note of optimism that served to obscure the more disastrous consequences of national expansion - the obliteration of the wilderness and indigenous ways of life - that continue to cast a shadow over the twentieth century.

Throughout the 20th century many new worlds have been explored by visual artists. The Hirshhorn Museum and Sculpture Garden plans to mount an exhibition of international 20th-century art which will feature artists from throughout the western hemisphere whose work is principally dedicated to or inspired by probe and investigation in order to identify yet unknown frontiers and new realms of information and experience.

The iconography of Christopher Columbus and how his name and image have been used throughout the Americas will be the subject of the Quincentennial exhibition organized by the Smithsonian Institution Traveling Exhibition Service (SITES). Historically, Columbus is a somewhat shadowy figure, but the symbolism evoked by this intrepid explorer has been used by a wide variety of groups within the Americas to give authority and legitamacy to their goals. The legacy of his name has been left to us in numerous ways from place names, such as Columbus, Ohio, to names of organizations, such as the Knights of Columbus. The images of Columbus used throughout Latin America and North America will be examined.

The voyage of Columbus resulted in more precise knowledge of geography and cartography. This desire to better understand the shape of the earth, its land masses and oceans continues to the present. The National Air and Space Museum will publish a world atlas using satellite images of the Earth. This comprehensive atlas, the first of its kind, will be a major research reference work on world physiography and natural features. The user guide volume will enhance the general public's understanding of geography and will focus attention on the advances in geographic knowledge over the past 500 years.

Beginning in September 1987, the National Museum of American History will present a series of public programs on the evolution and diversity of Hispanic culture in the United States.

The Next 500 Years

The 1492 contact resulted in a new world for both the Spanish and the indigenous cultures. This transformation is a process that will continue to unfold into the 21st century.

The Office of Interdisciplinary Studies is developing a public symposium entitled "Exploring the Unknown" that will look at the question of biological and cultural diversity of the Americas in the next 500 years. This program will complement the research of the other Smithsonian programs. Its aim will be to chart the long-term cooperative research opportunites in the Americas in the sciences and humanities.

A panel version for Latin America of the exhibition "Tropical Rainforests: A Disappearing Treasure" will be produced by SITES for circulation in tropical forest countries. This will be an offshoot of the larger, 6200 sq. ft. exhibition on the same theme which SITES is developing for circulation in North America. This exhibition looks at the crucial environmental issue of deforestation of tropical areas worldwide and projects consequences into the future. The Latin American version will be based on the works of that region's scholars and educators. The panel version will be uniquely written and produced for that specific audience by the nations' experts.

SMITHSONIAN INSTITUTION

FEDERAL FUNDING FOR COLUMBUS QUINCENTENARY PROGRAMS, FY 1987 - FY 1992

(as reflected in the FY 1988 Congressional budget request)

($000s)	FY 1987 Approp.	FY 1988 Request	FY 1989 Est.	FY 1990 Est.	FY 1991 Est.	FY 1992 Est.	TOTAL FUNDING
National Museum of Natural History	42	90	90	90	90	90	492
National Air And Space Museum	12	36	53	53	53		207
National Museum of American History	53	111	125	150	400	400	1,239
National Portrait Gallery	11	20	50	100	100	47	328
Hirshhorn Museum & Sculpture Garden	4	27	27	37	55	144	294
Traveling Exhibition Service	0	90	90	0	0	0	180
Directorate of International Act.	33	80	160	1,160	1,160	1,160	3,753
Office of Folklife Programs	11	50	250	250	250	500	1,311
Smithsonian Institution Press	4						4
TOTAL, QUINCENTENARY PROGRAMS	170	504	845	1,840	2,108	2,341	7,808

FY 1988 Travel Request

Question: You have requested an increase of 19 percent ($1,430,000 to $1,702,000) from the fiscal year 1987 base for travel. Can you explain why this increase is necessary?

Answer: For FY 1988, a total increase of $272,000 is requested for travel. This funding is requested as part of 25 separate program increases requested for FY 1988 and is justified as part of these increases in the Institution's budget request. The following response highlights the importance of travel for these programs.

Of the $272,000 in additional funding requested for travel in FY 1988, a sum of $202,000 (74 percent) is for research travel; $55,000 (or 20 percent) is related to program planning and development for the Columbus Quincentenary; $27,000 (10 percent) for public and educational programming; $13,000 (or 5 percent) related to exhibition planning; and $11,000 (4 percent) related to facilities services support. These increases are offset by a net reduction of $35,000 (-13 percent) associated with programs to commemorate the Bicentennial of the Constitution and a reduction of $1,000 in travel funding associated with the closure of SERC-Rockville facilities.

Research Travel

Travel funding is of critical importance to the reinforcement of the Institution's research capabilities, especially for field research. For FY 1988, increases in travel funding are requested for research projects at the Smithsonian Astrophysical Observatory, the Smithsonian Tropical Research Institute, the Museum of Natural History, the Museum of American History, the Sackler Gallery of Art, and the Directorate of International Activities.

For the Astrophysical Observatory, $12,000 in travel funding is requested as part of the development of instrumentation for use in the new field of submillimeter-wave astronomy and the design work for the conversion of the Multiple Mirror Telescope. Travel funding is especially important for SAO, with headquarters in Cambridge, Massachusetts, and observatory facilities at the Fred L. Whipple Observatory on Mt. Hopkins, Arizona, site of the Multiple Mirror Telescope. During the course of these two research projects, SAO staff will need to travel between the research laboratories located in Massachusetts and the observatories located on Mt. Hopkins, as well as to observatories located in other parts of the United States, including Hawaii, to accomplish their research.

For the Tropical Research Institute, $25,000 in travel funding is requested as part of the establishment of a program in molecular evolutionary studies. This increase in travel funding is necessary to enable STRI to conduct field research in the study of tropical organisms close to and in their natural environment in Panama and throughout Latin America.

For the Museum of Natural History, $119,000 in travel funding is requested as part of the establishment of a molecular systematics laboratory. This funding will be used for the travel and related expenses of exchanging scientists between the Museum and other research laboratories who are also working in the field of molecular systematics. A sum of $22,000 is also requested by the Museum of Natural History for travel costs related to its proposed expanded research program on Arctic archeology, anthropology, and biology.

For the Museum of American History, a sum of $9,000 is requested for travel expenses related to the establishment of a research center for the study of American history. This funding will enable Museum staff to travel to museums, libraries, and other research facilities throughout the United States to strengthen the Museum's ability to research the social history of science and technology; the interactions among political, social and cultural history; and material culture.

For the Sackler Gallery of Art, a sum of $8,000 is requested for travel expenses related to the Gallery's expanding research programs, including curatorial travel to China, Japan, South Asia, Southeast Asia, and the Near East.

For the Directorate of International Activities, a sum of $7,000 is requested for travel related to the planning of workshops in tropical biology. These funds will be used to pay the travel costs of biologists from tropical countries who have been active in conducting training programs in their own countries and who will be asked to assist in the development of these

Smithsonian workshops. By working with these biologists in developing these workshops, curriculum can be designed to address the most pressing needs not currently covered in existing training programs.

Columbus Quincentenary

Travel is very important to the development of the wide range of programs that the Institution will undertake to commemorate the 500th anniversary of the voyages of Christopher Columbus, since the commemoration will be celebrated throughout the Western Hemisphere and several Smithsonian programs will involve research travel or scholarly exchange throughout Latin America.

For FY 1988, for example, the Smithsonian Institution Traveling Exhibition Service has requested $20,000 to investigate the logistics of shipping exhibitions to be developed for the Columbus Quincentenary to institutions throughout Latin America. The Hirshhorn Museum has requested $11,000 for curatorial travel to Central America, Mexico and Canada associated with the development of a major exhibition on international twentieth-century art, featuring artists from the Western Hemisphere whose work is principally dedicated to or inspired by the themes of investigating unknown frontiers and new realms of information and experience. The Museum of Natural History has requested $8,000 to cover the travel costs for a symposium to be held in the fall of 1987, "Americans Before Columbus: Ice Age Origins," and for the initial site work on a major pre-Columbian archeological excavation in Wyoming. Other travel increases related to the Columbus Quincentenary have been requested by the Museum of American History ($10,000), the Air and Space Museum ($5,000), and the National Portrait Gallery ($1,000).

Other Travel Requests

For FY 1988, the Directorate of International Activities has requested additional travel funding as part of the development of a stable funding base for exhibition planning for the International Center ($13,000) and for related public programs ($25,000). Travel funding is also requested as part of the Institution's efforts to improve its long-range facilities planning capabilities ($3,000); to strengthen its existing safety programs and to meet new regulatory requirements related to hazardous waste disposal and asbestos abatement ($5,000); and to cover the travel costs for Office of Plant Services operations and maintenance personnel inspecting Smithsonian facilities outside of the Washington, D.C. area, including the Cooper-Hewitt Museum in New York City and the Tropical Research Institute in Panama ($3,000). Finally, travel funding is requested as part of the program support for the recently-established National Science Resources Center ($2,000).

Whipple Observatory

Question: You have requested an additional $4,470,000 for the Whipple Observatory to design and construct a base camp. This is a joint facility between the Smithsonian and the University of Arizona. This facility has the third largest telescope in the world in collecting area and is used for research in the optical and infrared regions of the spectrum. Have the design efforts been completed?

Answer: The space requirements have been determined for each of the major operations which will occupy the new base camp. A site development plan and conceptual floor plans will be completed by the end of FY 1987 when the current master plan work is concluded. With the completion of the master plan and pending the availability of funding, the detailed plans and specifications, which lead to contract documents, can be completed by the end of FY 1988.

Question: "What is the construction plan, and timeframe, for this camp?"

Answer: With funding of $4.47 million to be made available in FY 1988, the construction plan is to first build the 7 mile access road and have it completed in the second quarter of FY 1989. Upon substantial completion of the access road, construction of the base camp facilities will be initiated, with completion by the end of FY 1990.

Question: How did you arrive at an estimate of $530,000 necessary to cover anticipated escalation in project costs in this project?

Answer: The $530,000 figure appearing on page 236 of the Smithsonian's "Budget Justifications for Fiscal Year 1988" is a typographical error. The correct figure is $305,000 and appears in the table on page 235 of the same document. The $305,000 represents 8 percent escalation over a two and one-half year period. Escalation is to the mid-point of construction.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

STATEMENT OF JAMES H. BILLINGTON, DIRECTOR

ACCOMPANIED BY:
  PROSSER GIFFORD, DEPUTY DIRECTOR
  SAMUEL F. WELLS, ASSOCIATE DIRECTOR AND HEAD OF EUROPEAN INSTITUTE
  JON E. YELLIN, ASSISTANT DIRECTOR FOR FINANCE AND ADMINISTRATION

BUDGET REQUEST

Senator REID. We will now turn to the Woodrow Wilson International Center for Scholars, represented by its Director, James Billington. Mr. Billington, would you come forward with your associates?

The Center's 1988 request is for $3,998,000, an increase of about 20 percent over the 1987 appropriations to date. No additional funds are requested for the endowment challenge fund which was last funded by Congress in 1986.

Mr. Billington, before I ask you to introduce your colleagues, I'd like to, of course, extend my congratulations to you on your recent selection as the incoming Librarian of Congress. Are you planning to write any books as Mr. Boorstin has written?

Mr. BILLINGTON. Well, Mr. Chairman, you are very generous. I have only been nominated. I don't think the nomination has even formally gone forward yet.

Senator REID. You've got it in the bag I hear. [Laughter.]

Mr. BILLINGTON. If I do write books, I would write them as with the Wilson Center, on my own time.

Senator REID. He wrote some big ones and good ones.

PREPARED STATEMENT

If you would introduce your colleagues to me, we will turn directly to questions. Of course, we will include your entire statement in the record as if it had been read and would ask, in the interest of time, that we could turn directly to questions after you introduce your colleagues.

[The statement follows:]

STATEMENT OF JAMES H. BILLINGTON

The Wilson Center, now in its 17th year of operation, has become the place in Washington for comprehensive and non-partisan thinking about the outside world. Organized into eight programs that essentially span the globe, the Center sponsors original scholarship and ranging dialogue in the modern humanities and social sciences.

To take but one example of our international coverage, the Wilson Center today has the most extensive set of research and meeting activities on Europe at any residential Center in the world. Since many of our priority budget items for this year deal with European affairs, I thought it might be interesting for the Subcommittee to know how we came to devote special attention to Europe and how we deal with it.

Our activities in European affairs extend from Ireland in the West to Soviet Siberia in the East. Four of our programs are heavily concentrated in European affairs: The Kennan Institute for Advanced Russian Studies, the International Security Studies Program, the West European Program, and the East European Program. Our new focus on Europe builds upon our previous successful experience with other international programs and shows once again how the Wilson Center responds to a national need that was not being recognized elsewhere.

In 1982, when the battle over the Euromissiles was building to a peak and when the Soviet Union was making massive efforts to lure West Germany and other nations slated for INF deployments away from ties with the United States, we at the Wilson Center realized independently that changes were taking place in Europe which were receiving inadequate attention and were poorly understood in the United States generally. After preliminary staff study, we concluded that these changes were more fundamental than generally realized and that our level of understanding was even lower than we had thought. At this point I commissioned two broad surveys of European studies, one on European studies in the United States, the other on studies of Europe within Europe. All of our investigations assumed that Europe, though artificially divided by the Yalta agreements, was still essentially a single unit economically, culturally, and historically. We felt that our European activities, however they might be shaped, should, (like our already established programs for Latin America and Asia) be comprehensive and include all of Europe.

The studies that we commissioned showed the low state to which the formal study of Europe had fallen in the United States, and the disorganized and fragmented way in which Europeans studied their own continent. This led us to the conviction that the Wilson Center should play a catalytic role in stimulating thoughtful consideration of European issues by universities, foundations, and government. In September, 1983, the Wilson Center organized and hosted in Washington the first of several major bilateral conferences with Germany--a three-day gathering of the best minds in both countries to consider "German-American relations and the Future Role of the Federal Republic in Europe and the World."

By 1985, in direct response to the studies we commissioned, we had (1) formally created two new Wilson Center programs--one on Western Europe, the other on Eastern Europe, and (2) organized a European Institute which incorporated into a single entity these two programs as well as the European aspects of the International Security Studies Program. Since then we have moved quickly to consolidate and expand our European activities. We have held multi-day conferences on the implications for Western Alliance politics of the Federal Republic's "Ostpolitik", on the contributions to the world balance of power of the European neutrals, and on the role of Spain in the new Europe. This coming May we will convene a major conference on Portugal, thus completing our in-depth examination of the two newest members of the European Economic Community. We have underway a series of meetings that will examine the implications for Europe and the United States of a more complete economic integration of Europe proceeding under the European "Single Act" passed by the EC members in January 1986 and due for completion by 1992. We completed five Anglo-American conferences and produced (as is customary from such gatherings) a major volume out of the conference papers: a book by the Oxford University Press on the "Special Relationship."

An important indirect effect of establishing the European programs has been a stimulating influx of European scholars working on non-European topics at our international Center. Some of the best scholarship on Latin America, the Middle East, and Asia is done by Europeans, and we have made special efforts to recruit some of these European scholars to work with our other regional programs that cover these areas. We have also devoted increasing attention to recruiting outstanding younger scholars in Europe who study the United States.

We are extremely pleased with the progress we have made with a slender staff. Major foundations, such as the Mellon, Ford and Volkswagen Foundations, have come to share our assessment of the need for the allocation of greater resources to European studies in the United States.

The Wilson Center's initiative has already proven catalytic for American scholarship and public policy discussion and has encouraged foundations to do more in this area for the broader American university community.

A new European Alumni Association of the Wilson Center was founded in May, 1986 in Brussels. The association has already awakened a great deal of interest in Europe and is an important new supporting arm for the European activities of the Center. The association's President is Herman van der Wee, Professor at the University of Leuven in Belgium, and President of the International Association of Economic Historians. Other members of the executive council include the noted biographer of Konrad Adenauer, Professor Hans-Peter Schwarz of Cologne and the distinguished Roosevelt scholar from the Sorbonne, Professor Claude Fohlen.

The European Alumni Association, in conjunction with the Center's West European Program, is planning a major international conference on the theme of overcoming Yalta's division of Europe, tentatively scheduled for May 1988 in Dubrovnik, Yugoslavia. This innovative gathering will include Wilson Center alumni from both Western and Eastern Europe, plus other leading scholars and political figures.

The European Alumni Association should prove to be a major resource for the Center and an important vehicle for outreach in Europe.

FY 1988 Request

For FY 1988, the Wilson Center seeks an increase of $676 thousand. The major portion of the proposed increase relates to securing our new European efforts and to furthering our outreach activities throughout America via radio and publication. We are also requesting a modest additional amount to defray the cost of our outside academic advisory panels, which play a crucial role in fellowship selection and intellectual guidance for each of our eight programs; and to complete the one-time program of administrative improvements initiated last year with the support of this Subcommittee.

Recognizing that the funding for FY 1988 represents a significant percentage increase over our existing base, I would like to place the federal appropriation within the context of the Center's overall funding sources and to enumerate in summary fashion the vast range of activities that take place at the Center each year and require this basic level of support.

The following chart compares the Center's actual appropriated and nonappropriated operating expenditures in FY 1986 with anticipated expenditures in FY 1988, and shows the actual FY 1986 and projected FY 1988 endowment funds totals.

Appropriated and Nonappropriated Funds
FY 1986 and FY 1988
(dollars in thousands)

	FY 1986		FY 1988	
Category	Appropriated	Nonappropriated	Appropriated	Nonappropriated
Fellowships	$1,209	$ 256	$1,355	$ 342
General Administration	487	824	879	626
Other Support	1,065	1,077	1,366	727
Conference/Outreach	466	1,147	398	791
Wilson Quarterly	--	2,193	--	2,300
Total, Operating	$3,227	$5,497	$3,998	$4,786
Endowment Funds	994	3,307	--	8,200
Total, Operating and Endowment	$4,221	$8,804	$3,998	$12,986

Relative Balance of Operating Fund Sources

In FY 1986, 63 percent of the Center's operating expenditures were derived from nonappropriated sources. The major portion of fellowships was borne by the federal appropriation. The salaries of our eight program secretaries and their staffs and library costs were evenly divided between appropriated and nonappropriated funds. Two-thirds of the expenditures for general administration and three-quarters of conference and outreach costs were borne by nonappropriated funds. The "Wilson Quarterly" is financed entirely by nonappropriated resources.

The Center's FY 1988 estimates would bring the percentage between appropriated and nonappropriated operating sources of support into a balance more appropriate for a presidential memorial. The FY 1988 budget anticipates that core expenditures representing 46 percent of the Center's finances would derive from the federal appropriation, while the balance of 54 percent would stem from nonappropriated sources. The most notable changes in the balance would occur in general administration and in other support (salaries of program secretaries and their staffs, and library costs).

Taking into account both operating and endowment funds, the percentage of the Center's funds that derive from nonappropriated sources is expected to increase from 68 percent in FY 1986 to 76 percent in FY 1988.

The shift in the balance of the Center's operating funding is based upon our conviction that the federal government should sustain the central management costs of a congressionally-chartered national institution. These are the costs that private funders are increasingly reluctant to bear for a proven institute. Private foundations are working to initiate, catalyze, and experiment; but, once a program has been tested and established, they will not supply long-term operating funds. Fresh analysis in FY 1986 of the trend in the Center's funding pointed out that nonappropriated sources were carrying the lion's share of basic salaries and expenses. Two negative consequences flowed from this fact: the Center's private fund balances were becoming depleted and badly overextended, and our program heads were spending an inordinate amount of their time in fund-raising, thus taking away valuable time from the intellectual direction of their programs.

With the generous support and initiative of your Subcommittee, Mr. Chairman, and by a series of belt-tightening measures on our part, we have implemented a plan that will place the finances of the Wilson Center on a firm foundation. We have established procedures to assure the receipt of appropriate indirect costs on all grants and contracts; developed our own computerized accounting system designed to maintain up-to-date financial data; and reexamined all expenditures, eliminating those that were not fully essential. The budget that we are presenting today represents what we sincerely believe to be the appropriate federal/nonfederal operating fund balance for the immediate future.

Range of Center Activities

The Center's modest federal operating appropriation of $3.2 million in FY 1986 as supplemented by nonappropriated sources funded a whirlwind of activities that ranged from fellowship selection, to the publication of research reports, to the conduct of high level, international conferences. Mere statistics can not convey the quality of our undertakings, but they give some idea of the range and amount of work undertaken by our small and dedicated staff in a typical year.

During FY 1986,

- 77 fellows, 23 guest scholars and 45 short-term grantees were writing major works in residence at the Center.

- the Center sponsored and conducted 256 meetings, including 19 major, multi-day conferences on subjects of national and international significance.

- some 7,000 people attended these meetings, and 4,000 more received short meetings summaries along with the Center's monthly calendar of events.

- the Center produced 44 half-hour radio shows (based almost exclusively on the work of fellows) and distributed them throughout the nation free of charge to the 270 member stations of the National Public Radio, and by tape, to more than 170 members of the Longhorn Radio Network.

Long-Range Funding

A key element in securing the Center's long-term planning and outreach capabilities is the achievement of a measure of endowment. The Congressional Challenge Fund appropriation of $994,000 in FY 1986 has stimulated us to meet the first steps of an endowment campaign even while continuing our private fund raising efforts for annual support. Let me conclude by setting forth briefly the progress that we have made on this effort since we last appeared before this Subcommittee.

Last year's budget submission showed that the General Center endowment totalled $728,000 at the close of FY 1985 and that the Kennan Institute for Advanced Russian Studies had raised endowment funds of $427,000. With the tremendous boost provided by the federal Endowment Challenge Fund in FY 1986, we have been able to increase the General Center Endowment to $1.5 million. This fund includes $582 thousand in monies raised after October 1, 1985, which qualified for federal matching funds of $194 thousand. A further $920 thousand in firm pledges toward the General Center endowment have also been received. Thus, in the year since receiving our FY 1986 federal appropriation, we have received in cash or firm pledges more than one-half of the required match.

Individual program endowments for the Kennan Institute and the Asia Program have shown equally dramatic advances. The Kennan Institute has launched an endowment drive and now has a sum of $1.2 million on-hand, while the Asia Program has received $1 million for its endowment.

Endowment income does not replace the annual fund-raising needs covered by either federal or private funds, but rather provides basic resources for long-range planning and for strengthening the Center's impact nationally and internationally. Endowment will enhance the Center's ability to build on the base provided by annual appropriations and to respond comprehensively to opportunities for contributing to national understanding on important long-term issues. Once we complete the initial Endowment Challenge Fund match, we would propose discussing thoroughly with the Subcommittee a formula for using some of the income to be generated by subsequent fund-raising for endowment in an appropriate way to reduce future annual federal operating requests.

Mr. Chairman, I and my staff will be pleased to answer any questions that you and the members of the Subcommittee may have.

INTRODUCTION OF ASSOCIATES

Mr. BILLINGTON. Thank you, Mr. Chairman. On my left, is Dr. Prosser Gifford, who is the Deputy Director of the Center. On his left, Dr. Samuel Wells, who is the Associate Director of the Center and head of the European Institute under which a considerable amount of the interest in today's testimony may focus. On my right is Jon Yellin, who is Assistant Director for Finance and Administration of the Center. I also have some other distinguished colleagues back here whom I will perhaps bring forward if the occasion arises.

WEST EUROPE AND INTERNATIONAL SECURITY STUDIES PROGRAMS

Senator REID. An increase of $210,000 is proposed for establishing a base level for the Western European and International Securities Studies Programs. You mention this on page 12. How much is in the base for these programs?

Mr. BILLINGTON. Mr. Chairman, the base budget for those two programs—and I'll let Dr. Wells speak to this in more detail because he is the head of the European Institute which has authority over these programs and is indeed a founder of the International Securities Studies Program, so he's in a better position to speak to it—but the overall budget is based on the estimated expenditures for this year in the West European Program. It will be just a little under $500,000 and for the International Securities Studies Program, a little under $600,000.

These are substantial programs, not the largest, but by no means the smallest, of our international programs. Therefore, the degree of that responsibility in terms of just fiscal management is quite considerable. And in terms of programs and meetings about which I can speak in great detail if you want, although we itemized them pretty heavily in the statement, is even greater than that which is indicated here.

But I might ask if Dr. Wells might want to speak to that in more detail. I'm not sure what you mean by the bases.

Senator REID. I think you've done a good job. Please supplement the answer.

Mr. WELLS. Within those bases, Mr. Chairman, there are no Federal funds in the lines for personnel or the other portion of general administration, and for the Western European Program the Federal appropriations is roughly 25 percent of the total program budget, whereas in the International Securities Study Program the Federal appropriation represents about 34 percent. This is in each case far below what is average for the other programs of the Center, each of which has two central staff members, the program secretary and the principal program assistant, who are in Federal positions.

Senator REID. This $210,000 is to be used to support four additional positions at the Center, is that right?

Mr. WELLS. That's right.

Senator REID. Who is currently, if anyone, performing these functions now?

Mr. WELLS. Well, there's a program secretary and a senior program associate performing the senior functions, and there are program assistants doing the other duties, all of which are privately funded.

SPACE REQUIREMENTS

Senator REID. The Congress provided a one-time appropriation of $48,000 in 1986 for renovation of the space occupied in the tower. It seems that the space is still in serious need of additional upgrading.

What is the estimate of maintenance and renovation backlog activity that should be funded in 1988 for this?

Mr. BILLINGTON. Dr. Gifford?

Mr. GIFFORD. Mr. Chairman, the money appropriated last year for tower renovation was on the presumption that we would be able to renovate a tower that now is occupied almost completely by an elevator shaft and put three offices in it. Preliminary plans drawn up by the Smithsonian design staff indicated that would be possible. However, when we got into the details and found it would be necessary to comply with the rather complicated fire regulations that required a self-enclosed, fireproof stair, it turned out there simply wasn't room to put that in and get any space that would be really usable.

So we asked for reprogramming of a certain amount of that money and the rest I believe was turned back, is that correct?

Mr. YELLIN. Yes, Mr. Chairman, when we found out we were unable to do those renovations we informed the Senate and we turned the money that was allocated for that purpose back to the General Treasury.

ENDOWMENT CHALLENGE FUND

Senator REID. The subcommittee initiated an endowment challenge fund to the Center back in 1986. What is the status of that? Well, I guess I'll elaborate a little bit. This is a personal thing. What is the challenge fund all about?

Mr. BILLINGTON. Well, Mr. Chairman, the endowment challenge fund was a very welcome initial challenge grant to be matched 3-to-1 on the private side as the first stage in an attempt to raise a substantial amount of endowment.

The overall goal was for a $12 million endowment to be reached sometime early in the 1990's and the initial challenge was for a figure just under $1 million to be matched 3-to-1 by the fall of 1988.

I am happy to report, Mr. Chairman, that we are about halfway toward meeting that challenge at the present time and that the challenge fund has been an extremely effective means of inducing our private donors, who have been providing us with annual sustaining and in some cases multiyear sustaining funds, to provide an endowment for the longer-term future to permit us to plan and to extend our outreach over the long term, which are the principal objectives of the endowment.

So we are about halfway there, Mr. Chairman, and the first stage of that challenge has been a very effective way of getting us—the first stage of the objective is to reach the $4 million by 1988 and then we hope that we can take it beyond the next stage after that.

Senator REID. So you're pleased with how it's going so far.

Mr. BILLINGTON. We are, sir. We're pleased with how it's worked out so far. We are confident that we will reach the immediate goal, but we are anxious to have a fresh—hopefully a fresh challenge to take us the next stage once the first stage is reached.

Senator REID. I'm sure we will hear about that.

Mr. BILLINGTON. Well, I hope so because by the fall of 1988, which is, of course, not that far off in terms of our planning cycle, the first one will have expired. We will have hopefully obtained it and we hope to perhaps have your help in the challenge that will take us to the next stage, so to speak.

ADDITIONAL COMMITTEE QUESTIONS

Senator REID. Mr. Billington, the committee will have a number of other questions for the record, but the subcommittee will submit those to you and we would, of course, appreciate a prompt response. In addition, other members of the committee may have additional questions for the record and I'm sure they would also appreciate a prompt response.

Thank you very much for your time.

Mr. BILLINGTON. Thank you, Mr. Chairman, very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Question. The budget also requests an appropriation of $33,000 to provide for travel and consulting fees for the Academic Advisory Councils for the program areas that currently do not enjoy such support. What is the rate of the consultant fee paid?

Answer. Currently, travel and per diem expenses are paid for Academic Advisory Council members. In addition, an honorarium of varying amount is paid to each Council member for an average of three days consulting at the Wilson Center and for additional hours reviewing applications at his or her home institution. The fee has varied by program depending upon the number of applications received and the amount of time required to review them. In FY 1988, we plan to standardize the payments for all of the Center's programs.

Academic Advisory Council expenses of the History, Culture and Society Program are included in the existing federal base; expenses associated with the Center's 7 other programs have been paid from trust funds.

The FY 1988 request is based on the assumption that 42 Academic Advisory Council panel members will be paid honoraria averaging $500 each ($21,000) and that, in addition, the travel and per diem expenses for the members will be covered ($24,000). A sum of $12,000 is in the federal base for these expenses and thus a further $33,000 is sought for FY 1988.

Question. How did we end up with one program having funding support for its advisory council and not having support for the other programs?

Answer. Originally at the Center there were only two programs: Humanities and Social Sciences. The History, Culture and Society Program is the continuation of the original Humanities concentration and has kept the funding originally designed for its advisory council. After Dr. Billington began to develop the regional focus of the Center and programs grew in 1977 to four, there were no longer sufficient funds to cover all four advisory councils, and it was decided in the experimental years of these new programs to cover these costs from privately-raised development funds for the regional programs. Now that these programs are fully established and have become part of the integral structure of the Wilson Center, it is appropriate to return to the original principle--that the costs of the Academic Advisory Councils are an integral part of the Center's basic fellowship program.

Question. The Congress provided you with a one-time appropriation of $48,000 in 1986 for renovation of space occupied in the Tower. It seems that the space is still in serious need of additional upgrading. What is the estimate maintenance and renovation backlog activity that should be funded in 1988?

Answer. As reported to the Subcommittee on February 27, 1986, the Smithsonian's Office of Design and Construction concluded that Fire Code and structural requirements permitted only one very small office with 24 square feet of usable floor space to be constructed above the fourth floor in the Octagonal Tower. The limited space and high cost of construction made this option impractical to pursue. The unused funds provided for office construction in the Tower were returned to the General Treasury at the end of FY 1987.

No further practical alterations are possible to create additional space in the Castle. The Center is negotiating with the Smithsonian for additional office space in the Castle or the Arts and Industries Building, but the Smithsonian's own space constraints make it highly unlikely that the Wilson Center will be able to acquire the needed space in either of these two buildings. Therefore, the Center has had no other recourse but to lease commercial space at considerable expense and inconvenience to staff. Even with the additional space leased to date, the Wilson Center continues to have a serious shortage of office space in which to carry-out its existing level of program activity.

EXISTING LEASED SPACE

A total of 13 full-time Wilson Center employees and six short-term scholars, consisting of the entire permanent staff of the Kennan Institute, six Kennan Institute short-term grantees, three senior research associates, and the assistant director for publications and her secretary, are located outside the Castle building in 3,368 square feet of commercially leased space at two locations--955 L'Enfant Plaza and at 600 Maryland Avenue.

The Wilson Quarterly also occupies 2,542 square feet of commercially leased space paid entirely from the Quarterly's own trust funds budget.

The Congress appropriated a sum of $20,000 for FY 1987 toward the cost of the Kennan Institute's rent that totals $55,000 annually; the balance $35,000 of the Kennan rent is covered in its Title VIII allocation from the State Department.

The $31,000 annual rental fee for space for the three researchers and the publications program is paid from nonappropriated grants that will expire before the end of FY 1988. There is a pressing need to replenish these funds.

ADDITIONAL LEASED SPACE NEEDED

A further 1,000 square feet of leased office space is needed to alleviate severely overcrowded staff office space in the Castle where many small windowless offices, already overcrowded with files, books and other office equipment, are shared by as many as three employees.

Kennan staff and research space in the L'Enfant location has proven to be extremely tight. An additional 1,000 square feet is urgently needed to house adequately the staff, Kennan library, research and storage space.

In addition, the Center has a total of 38 offices for fellows in the Castle building, two offices short of the number required to house fellows during peak periods. Because the anticipated renovation of the Octagonal Tower, which expected would have eliminated this shortage, was not feasible, it may be necessary to relocate additional staff members into approximately 300 square feet of commercially leased space in order to obtain the required 2 fellow's offices in the Castle at further expense and inconvenience.

SUMMARY

In sum, excluding the Wilson Quarterly, the Center presently occupies 3,368 square feet of commercially leased space and has the immediate need for an additional 2,300 square feet of leased space (1,000 square feet to relieve overall congestion in the Castle, 1,000 square feet for the Kennan Institute, and 300 square feet for staff in order to create two additional fellows offices. At a projected cost of $27.50 per square foot, the annual bill for the total of 5,668 square feet would be $155,870. Of that amount, $20,000 is included in the federal base and $35,000 is funded by Title VIII monies. The balance of $100,870 represents an immediate and continuing need in view of the impracticality of doing further renovations in the Castle and of acquiring additional space from the Smithsonian. The Center plans to address its overall space requirements in future federal budget requests.

Question. Your 1988 budget request also includes an increase of $198,000 to support conference planning and outreach functions (p.24). This would result in the Center having $250,000 to plan for major conferences and $148,000 with which to publicize the conferences via radio ($125,000), and $23,000 to contract for writer/editorial support for the monthly newsletter and for other activities.

How much of the contents of the Wilson Quarterly is driven by the conferences of the Center? How much other money is available to the Center for publicizing its activities? What is the value of the conferences if all of the results are confined to reporting and analysis by the academic press and by limited circulation journals? Is the Center's proposal adequate for the best exposure?

Answer. Increasingly, the work of the Center's fellows and the papers prepared for its conferences are being used or adapted in The Wilson Quarterly. Recent examples are the Center conference and Quarterly cluster on the Philippines and a forthcoming cluster of articles on Italy planned for the winter of 1988.

But we do not depend on the Quarterly's 110,000 subscribers alone for making the work of the Center known. We have this spring begun--with a one-time donation of $100,000 of trust funds--a full publishing program at the Wilson Center designed to get better review and media attention to our publications, to develop a Wilson Center book series with high visibility in the scholarly and policymaking worlds, and to improve upon our newsletters and monthly meeting reports which currently go to about 6000 people in the Washington area, including members of Congress, the press, and many members of Executive branch agencies. In addition, we send newsletters of both the Center and individual programs to professional groups and resource centers across the country. Specific occasional papers and other publications are mailed to specialized lists appropriate for the particular subject.

With the one-time donated funds, we have hired a new assistant director for the Wilson Center in charge of publications. She has significant editorial, marketing, and distribution experience to make Wilson Center work widely known to a diverse group of audiences nationally and internationally. In addition to her, our publications and publicity staff includes a part-time professional designer (federally funded), a design assistant, and an editorial intern (privately funded).

In the long term, the only way to ensure an extensive, broadly based and high quality publishing program is to secure excellent staff. A first-rate staff can cost-effectively produce the published books and materials which through their quality will attract private funding for individual conferences and volumes. Our top priority for a sustained publishing program equal in quality to the work done at the Center would be federal salary support for the assistant director for publications whose outside funding will become depleted in one year, and a secretarial assistant. The annual cost for these positions is $100,000.

The FY 1988 budget request includes an amount of $23,000 for editorial/writing assistance. An assessment by the new assistant director for publications indicates that the Center already has a backlog of approximately $70,000 in estimated editorial costs to move existing conference manuscripts into attractive books published by top-of-the-line publishers. To make the Center's budget adequate for the best publishing result within the next fiscal year, we have an immediate need for an additional $70,000 for editorial assistance in the first year and an annual requirement of $50,000 thereafter.

Question. What are the types of expenses that are likely to be incurred out of the requested funding of $250,000 for conference planning? Do we fund travel, or pay honoraria, or pay housing, or pay for printing and distribution of the conference proceedings?

Answer. Based upon the Center's experience with the federal conference planning appropriation in FY 1986, this funding is used to pay for the travel and per diem expenses of conference participants, fees for conference coordinators and for the preparation and presentation of conference papers, printing and distribution costs of conference proceedings, building management fees for guards and custodial services, and audio-visual and photography expenses. Matching trust funds are used to share these categories of expense and to defray all other related costs associated with the conferences, such as those for catering.

Question. I am also curious to note that the justification states (p.38) that the Center anticipates being able to meet its full matching requirement for the Federal funds by the end of Fiscal 1988. Does that mean that we would be well advised to track your progress, and to ante up another $1,000,000 in 1988 for future matching fund raising drives?

Answer. The FY 1986 Endowment Challenge Fund appropriation of $994,000 has proven to be a crucial incentive to private sector donations and to the success of the Center's endowment drive. The federal matching endowment funding also reinforces the original mandate created by Congress in the Center's charter to serve the public and private sectors. To date, the Center has received more than one-half of the private matching funds in cash or in firm pledges to meet half of the federal challenge. We anticipate fully matching the Endowment Challenge Fund prior to the end of FY 1988.

The Senate's original concept was to provide an Endowment Challenge Fund of $3,000,000. Only an initial one-third was appropriated because of funding constraints. The Center's goal, however, was originally formulated to provide a full $9,000,000 dollar response to the $3,000,000 challenge, and our goal remains that of building a $12,000,000 endowment by the early 1990's with the continued vital support of the congressional appropriation.

An additional $1,000,000 appropriation for FY 1988 is very important to sustain the momentum of the Center's endowment drive. The Center believes that the success of fund raising for endowment to date amply justifies the appropriation of a further increment in the federal Endowment Challenge Fund.

Question. Would you provide for the record an analysis of your budget proposal that would separate the fixed and base costs from the program increases? For example, if we were to compute the 1988 cost of executing the 1987 program, and then if we were to look at the programmatic increases beyond that, what would the 1988 base be for the Center?

Answer.

SALARIES AND EXPENSES
FY 1988 REQUESTED INCREASES
(Dollars in Thousands)

	FY 1987 Appropriation	FY 1988 Increases Mandated Pay	FY 1988 Increases Program	FY 1988 Request
Fellowship Program	$1,316	$39	-	$1,355
Scholar Support	266	18	10	294
Public Service	759	70	243	1,072
General Administration	706	27	71	804
Building Requirements	75	-	-	75
Conference Planning/ Outreach	200	-	198	398
TOTALS	$3,322	$154	$522	$3,998

U.S. HOLOCAUST MEMORIAL COUNCIL

STATEMENT OF DAVID WEINSTEIN, ACTING EXECUTIVE DIRECTOR

ACCOMPANIED BY STEPHEN E. LYNCH, SPECIAL ASSISTANT TO THE REGIONAL DIRECTOR, NATIONAL PARK SERVICE, NATIONAL CAPITAL REGION, DEPARTMENT OF THE INTERIOR

BUDGET REQUEST

Senator REID. The subcommittee will now turn to the 1988 budget request for the U.S. Holocaust Memorial Council. The lead witness will be Dr. David Weinstein.

The fiscal year 1988 budget request for the U.S. Holocaust Memorial Council is $2,183,000, an increase of $143,000 over the fiscal year 1987. This increase represents a $17,000 increase to be reinstated in the base as a result of a reduction during the fiscal year 1987 budget cycle, $25,000 for the mandatory 3 percent pay raise, $60,000 for the estimated Federal Employees' Retirement System [FERS] cost, and $41,000 for inflation for nonpersonnel object classifications.

Mr. Weinstein, we welcome you before the subcommittee for the first time as the Acting Executive Director of the Memorial Council. I understand your name is at the White House and expected to be cleared any day now. The committee looks forward to working with you in the future and watching the progress that will be made on the construction of the Holocaust Museum.

PREPARED STATEMENT

We, of course, will submit your statement into the record at this point and would appreciate it if you would briefly summarize your statement and also introduce those who may assist you today.

[The statement follows:]

STATEMENT OF DAVID WEINSTEIN

Thank you for the opportunity to appear for the first time on behalf of the United States Holocaust Memorial Council, of which I am honored to serve as its Acting Executive Director. It is a great pleasure to appear before you today and to have this opportunity to share with you our aspirations which we hope to fulfill with enactment of this appropriation request.

The Council's federal funds budget request for Fiscal Year 1988 is $2,183,000, which represents a net increase of $143,000. This 9% increase is necessary to cover the increased costs in Fiscal Year 1988 of $25,000 associated with the January 1987 pay raise, $60,000 associated with the new Federal Employees Retirement System and $41,000 for inflationary costs of non-salary items. An increase of $17,000 is requested as reinstatement to our base prior to the appropriation reduction of Fiscal Year 1987. While the detailed budget analysis previously submitted to the Committee may show individual increases between programs and object classes which have been necessitated by initiation of new programs, this has been accomplished by reprogramming rather than any request for expanded funding.

This request will fund 29 fulltime equivalent workyears, and enable the Council to continue to fulfill its legislated mandates which include support of civic commemorations (Days of Remembrance), to maintain its momentum toward constructing a national Holocaust Memorial Museum, and to meet its other legislated mandates including the development and planning of the permanent and changing exhibitions, educational programs and facilities such as theater, classroom and conference spaces, the development of a major research library and international archival network, and the stewardship over Government contracts and procurement, and fiscal policy accountability for the entire activity.

The budget presented, with no increase other than that consistent with administration policy based on economic indicators, is divided proportionately among the broad program areas of Commemorative Observances and related activities; Museum Development, Educational, Archival, Library, Cultural and Outreach programs, National Archives Project, and Executive Direction and Administrative Services.

The mandated tasks to build the Museum and to implement the other recommendations of the President's Commission highlight the fact that the Council's broad responsibility in public education is equally important as the building design. The Council must address millions of Americans of all ages and backgrounds, both those who will visit the Museum in Washington and many others who are unable to do so. The challenge to present the tragedy that befell the six million Jews and millions of other victims will be met in a facility that presents history authentically yet dramatically, providing a diversity of learning experiences for the general visiting public as well as valuable archival and bibliographic resources.

The Council's projected tasks in 1987 and continuing into 1988 are manifold and complex. They include continued research and development in the areas of archival and library activities, education and audiovisual content and presentations. Furthermore, we must assure that the development of policies and procedures for the operation of all the Museum's program components keeps pace with the physical construction schedule to begin in Fiscal Year 1988.

During Fiscal Year 1988, the research and development of the archival, educational, commemorative and cultural program components of the facility will continue to be a Council responsibility. The Museum will eventually be an interrelated complex consisting of permanent and changing exhibitions as well as audiovisual presentations to present to the public the story of the Holocaust, a national memorial to the victims of the Holocaust, and library, archives and computerized facilities available to the general public, educators, students and other academicians to study and research the history of the Holocaust. The Museum will also make available to the educational community materials and collections of other national and international Holocaust resource centers and provide for special accommodation of children, school students, and teachers. Planning and developing of these programs by Council staff must take place concurrently with the construction of the Museum to insure that programs will be in place when the building opens.

Prior to the opening of the Museum, the Council must investigate the availability of and continue the acquisition of exhibition, archival and library collections and of educational, historical and research data. Projects of this scope require intensive and extensive worldwide research in order to learn the nature, extent and types of materials required by the Museum's components so that proper planning can be developed for them. This includes, among other things, the monitoring of international research and publications in a variety of languages in order to be able to serve and respond to the needs of the scholarly community and other interested persons and organizations. When it opens, the Museum must have programs and research source materials in place in addition to appropriate staff to administer and make them available to the public. Furthermore, it is essential that current Federally held Holocaust-related documents be examined to determine their preservation requirements, the quality of their cataloging and value to Holocaust education and research.

In Fiscal Year 1986, the Council entered into a cooperative agreement with the National Archives to identify, catalog and begin preservation of Holocaust-related documents in possession of the Federal government. This project will not only serve to identify and preserve these records, but will serve as a test site for the Council's efforts to establish an automated international inventory network of archival material. This initial effort is indicative of continued success for both the inventory network and the preservation program.

The first stage, locating, cataloging, and preliminary preservation measures, was started and is currently scheduled to continue through Fiscal Year 1987. Specifically, during Fiscal Year 1986, we were able to survey the existence of Holocaust material across National Archive Records collections, and to date have identified 36 major record groups containing Holocaust materials. Of these, massive preservation work was accomplished on two of the groups dealing with War Crime Trial Records; limited cataloging and preservation recommendations were done on an additional seven records groups. During this Fiscal Year, we have developed the software for cataloging and installed on-site computer capability to carry out this task.

As indicated from the outset, this project was envisioned as a multi-year project. Fiscal Year 1988, will enable us to continue similar work as outlined above. With prior year resources allocated to install automated systems requirements, the actual identification, cataloging and preservation effort should continue at an accelerated pace.

The Museum also will be instrumental in integrating the archival collections of Holocaust memorial and research institutions throughout the world by creating computerized, universal indices and glossaries for reference and research. Moreover, by accessioning microfilm, microfiche and videodisc copies of documents and photographs in foreign institutions, the future Museum will ease the financial burdens on American scholars involved in Holocaust studies. The planned automated inventory network of international Holocaust documentation will organize information about Holocaust collections worldwide and make the data more easily accessible to a wider public than ever before. This is a notable example of how this important institution will be able to provide leadership and service to other museums, libraries, research institutions and individuals in the United States and abroad.

Furthermore, the Council's role as a leader in Holocaust education will be fulfilled through the following program activities: Continued development of the permanent and temporary exhibit facilities and an accompanying program of computer assisted interactive learning centers for the public areas of the Museum; the establishment of a national education clearinghouse; networking with state departments of education, national educational associations, Holocaust centers, and teachers; development of educational resources; workshops to train educators to teach the Holocaust; identification and assessment of educational materials and programs; a full schedule of public educational and cultural programs (lectures, film series, conferences, seminars, etc.), and a national writing contest for high school students. These programs are based on historical and documentary materials in a variety of foreign languages written in specific historical circumstances, the interpretation of which require linguistic skills, as well as historical and cultural knowledge. Over the years the Council has developed a staff of experts in these areas which is eminently able to meet the challenges presented by this complex subject matter. All the above program activities must be developed and planned by Council staff while the Museum Development Committee and Museum staff give first priority to design and construction of the building and the permanent and changing exhibits.

The United States Holocaust Memorial Council has a special obligation and opportunity, in the future Museum, to support the highest level of academic research, curriculum development, and teacher training services. Archival, artifact and library collections will provide resources for resident and visiting scholars. The Museum will become a nexus for linking the evaluation and sharing of Holocaust curricula, textbooks, documents, audiovisual materials and teaching techniques and will eventually include an active publications program.

More specifically with regard to educational activities, a number of programs and projects have been initiated or are in the planning stage. These include a clearinghouse of information about educational activities in the country. The variety of educational materials such as curricula, teaching units, and lesson plans is being placed into a computerized inventory which will be shared with the public.

A nationwide program to sensitize teachers and students to the Holocaust is now in its third year. In the past years, the Annual National Writing Contest on the Holocaust has received close to 2,000 entries from high school students of virtually every state. In Fiscal Year 1988, a publication of the winning entries is planned. The positive response and high level of interest is a testament to successful nationwide efforts to increase an awareness and the study of the Holocaust in the nation's schools.

To support the networking activities mentioned above, a Directory of Holocaust Resource Centers in North America has been published and is presently being revised and expanded. The Education Office also assists in the development and organization of teacher workshops throughout the country.

A special educational resource packet is in the development stages and will be available by Fiscal Year 1988. It is designed to provide educational materials and resources on the Holocaust to educators, students, and the public at large.

In addition, research and development will concentrate on such museum areas as: a special program through which younger children can discover the meanings of the Holocaust, a Teacher Resource Center and Institute which will facilitate the sharing of Holocaust curricula textbooks, audiovisual materials and teaching techniques, an educational publications program whose educational newsletter will reach the nation's schools; a docent program; a student internship program; and a summer institute for educators and program leaders.

In an effort to provide national direction in Holocaust education, the Council plans to sponsor a National Conference on Holocaust education in Fiscal Year 1988. This Conference will promote local, regional, and national programs in Holocaust education and create a network of educators to serve as a resource for the Museum's educational endeavors. The Conference will also support the bill before Congress to recommend the states include the study of the Holocaust in public schools.

In Fiscal Year 1988, the Council plans to initiate a special project that would identify the types of educational projects and programs currently being conducted throughout the United States. A directory of such activities would greatly enhance the development of Holocaust education throughout the country.

In preparation for the Museum's opening, funds have also been utilized for Public and Ethnic Outreach activities to increase public awareness of the Council's activities and in obtaining public recommendations concerning the Council's role in meeting its overall objectives.

Following the successful International Liberator's Conference in 1981, and the 1984 Faith in Humankind Conference on the rescuers of the Jews during the Holocaust, in Fiscal Year 1987 the Council sponsored a Conference on the "Non-Jewish Victims" of the Nazi terrorism and genocide. Conferences such as these serve multifold purposes in meeting Council objectives. They provide an opportunity to collect oral histories of survivoring victims of the Holocaust for the Museum's archives and exhibits, provide a forum for survivors and scholars to present historic data appropriate to the topic and theme, and result in the production of proceedings which can be used as educational tools both within the Memorial Museum and as part of outreach programs, especially in the school systems across the United States. Such materials will benefit Holocaust scholars, teachers and students in this country and abroad, as well as the millions of visitors who will visit the Holocaust Memorial Museum in the future.

In its efforts to preserve memory, the Council plans to undertake projects to locate, salvage, preserve and disseminate the testimonies of the direct participants in the events; the Council intends to prepare formal documentation of survivors', liberators' and righteous persons' witness accounts. Additionally, art objects, artifacts, photographs, and other testimonies for the museum will be identified and located during Fiscal Year 1988.

The Council has developed a prototype educational unit on the Riga Ghettos. "Riga: A Tale of Two Ghettos" is a multi-image slide presentation comprising witness accounts, authentic photographs, film footage, art and music composed in the ghettos. The multi-image presentation has been transformed into audiovisual cassettes and a 16mm film and is accompanied by a resource book on the subject. This educational unit - a historical reconstruction of events in an artistic mold - is exemplary of the types of educational, cultural and commemorative programs to be developed by the Council. Furthermore, preliminary research on the Crakow youth underground has been carried out. The surviving members of the underground have been interviewed, some footage and photographs obtained, and relevant materials have been translated. Supported by filmed witness accounts, authentic music, photography, and documentary footage, this project will be an important contribution to telling the story of resistance to the Nazi evil.

We continue to receive cooperation from other federal agencies in fulfilling the mandates of our legislation. Following on the successful conferences previously held at the State Department, it was also the site for our "Other Victims" Conference held in February. Our General Counsel often consults with and receives cooperation from the Justice Department, the Smithsonian and other federal agencies with related missions. Finally, the Department of Interior and the National Park Service provide substantial support on a reimbursable basis.

In that regard, while we have not received the written report, we are pleased that we have been informally advised that a recent audit by the Department of Interior's Inspector General's Office verifies that all expenditures of appropriated funds were administered in accordance with accepted accounting practices and in adherence to legal and regulatory requirements. On a similar note, Touche Ross & Company has just completed an audit of our donated funds for Fiscal Year 1986. Although we have not received the final report, a preliminary letter indicates that we will be receiving an unqualified opinion stating that these funds have also been administered in accordance with generally accepted accounting principles.

One of the manifold mandates by the 1980 Act of Congress was "to make permanent arrangements, through annual official Days of Remembrance, for ceremonial observances to remember the six million Jews murdered in the Holocaust and the millions of others who perished as a result of the Nazi policies of genocide and racial suppression, and to honor the survivors of the Holocaust."

As a result of the Council's efforts in making arrangements for national and local Days of Remembrance observances, it has become clear that public and private groups are interested not only in commemorating the victims of the Holocaust, but also in providing continuous Holocaust related educational and cultural programs throughout the year. During 1986, with coordinating assistance from the Council, civic remembrance ceremonies were held in all 50 state capitals as well as in numerous cities throughout the nation. Similar participation is expected for Fiscal Year 1987. In support of this participation, we have produced a book of Commemorative Observances programs which has become recognized as an invaluable resource for organizing Days of Remembrance Observances. This is being revised in Fiscal Year 1987 to include observances for all designated survivor groups and will require reprinting in Fiscal Year 1988.

Following the success achieved since Fiscal Year 1985, the Council has continued its extensive efforts to expand, publicize and schedule education programs and/or ceremonies in secondary schools and libraries throughout the nation. The response to requests for informational materials has been excellent and numerous commemorative activities were held throughout the nation's school systems. We have just completed a mailing of more than 7500 informational packets for the 1987 Days of Remembrance. To maintain the historical truth of the Holocaust against the onslaught of the so-called "revisionists," it is critical that this level of support and effort to expand the educational features related to the Council's public outreach responsibilities and Days of Remembrance be continued. These successes have been achieved utilizing only eight percent of the authorized budget which is the same level anticipated for Fiscal Year 1988.

Additionally, a Day of Remembrance was held in Fiscal Year 1986 in the nation's capital in memory of the Gypsy victims of Nazi genocide in World War II. Sponsored by the Holocaust Memorial Council in association with the American Rom community, the ceremony recalled the Nazi destruction of the Romanies, and publicized the fate of these often-forgotten casualties of the Nazi regime. A similar ceremony is projected for Fiscal Years 1987 and 1988.

On October 8, 1986, we were pleased to be a co-sponsor with the National Park Service for the dedication of the Raoul Wallenberg Plaque on Wallenberg Place, the block of 15th Street, S.W. where the Museum will be located. This plaque honors Wallenberg's unprecedented mission of mercy on behalf of the Swedish government and private Jewish agencies, and the U.S. War-Refugee Board which was responsible for saving approximately 100,000 Jewish lives during the Holocaust. We were honored with remarks from Secretary of Interior Hodel, Congressman Tom Lantos, Congressman Bill Lowery, Senator Claiborne Pell, and Mayor Marion Barry.

In view of our unique legislative mandate to construct the Museum using only donated funds, no report of accomplishment would be complete without reference to our success in that area. As noted earlier, in

October 1985 Secretary Hodel certified that sufficient funds would be available to assure completion of building construction. The success of the Campaign during the past Fiscal Year clearly shows that the efforts to build this living Memorial Museum have the support of people from all sectors of American life - religious, business and civic leaders; veterans; foundation officers; government officials and many others. The religious community, as individuals and institutions, is offering support. Non-Jewish ethnic Americans, such as Slavs, Poles, Romanies and Armenians, are contributing to the effort. We are pleased to report that, as of this date, the Campaign to Remember has raised in excess of $40 million.

Considerable progress has been made toward the Council's preeminent goal of construction and development of the United States Holocaust Memorial Museum. The Council's Museum Development Committee secured the services of Arthur Rosenblatt, Vice President for Architecture and Planning at the Metropolitan Museum of Art and a Fellow of the American Institute of Architects in New York, as Museum Director. Mr. Rosenblatt joined the Holocaust Museum on July 19, 1986 and speedily established a Museum Office and built a small, highly professional staff.

In November, after an intensive search, the Museum appointed the noted American architect, James I. Freed of I.M. Pei and Partners, as design architect. Mr. Freed, who came to the United States as a refugee from Nazism in 1940, is a naturalized American citizen and a Fellow of the American Institute of Architects.

Mr. Freed's preliminary design was approved by the Museum Development Committee in January and Mr. Freed was then authorized to proceed with the schematic phase of the design. The results of his efforts are scheduled to be presented to the Museum Development Committee and the Council itself in the days immediately preceeding this hearing. With the Council's formal approval, the plan for a five-story museum and hexagonal memorial Hall of Remembrance will be presented to the Commission of Fine Arts for its approval in May. Following the anticipated affirmative action by the Commission of Fine Arts, the plan will be presented to the National Capital Planning Commission and to other appropriate agencies and authorities including the Secretary of the Interior.

In the meantime, staff of the museum and the Pei office have been meeting informally with our neighbors, the Bureau of Engraving and Printing and the Agriculture Department, as well as with other pertinent federal and municipal agencies on problems of mutual concern ranging from traffic flow to security. The pace of planning is such that the Council is confident that construction on this magnificent structure, which will include not only space for a major permanent exhibition and temporary exhibitions but also a library, archives and two theaters, will begin in Fiscal Year 1988.

Work on the permanent exhibition is proceeding hand-in-hand with the development of the museum design. The Museum Development Committee has named Herb Rosenthal of Herb Rosenthal and Associates, a noted designer who specializes in the design of expositions, visitor centers and museums, to carry out the first phase of the design of the permanent exhibition.

With the scheduled beginning of construction, Fiscal Year 1988 will be the culmination of a carefully staged planning effort to create the design and programmatic concepts for the United States Holocaust Memorial Museum.

Because donated funds are currently earmarked for design and construction of the building, the Council must rely on appropriated funds for the planning and development of the programmatic components and outreach as well as overall administrative support. In this regard, it should be noted that the Council has begun to create proposals for grants from foundations to supplement appropriated funds for program development and the dissemination of educational material on the Holocaust.

In order to keep pace with the construction schedule, it is imperative that planning and development of these programmatic components proceed with equivalent support to the Council in Fiscal Year 1988.

Thank you and the rest of the Committee for your time and consideration of our Fiscal Year 1988 appropriation request.

BIOGRAPHY OF DAVID WEINSTEIN

Dr. David Weinstein was appointed Acting Executive Director of the U.S. Holocaust Memorial Council by Council Chairman Harvey M. Meyerhoff on February 18, 1987.

Dr. Weinstein, who resides in Washington, D.C. and Sarasota, Florida, has directed the Council's fundraising arm, A Campaign to Remember, since 1984. He was responsible for the development and implementation of the $100 million national capital fund campaign on behalf of the Memorial Museum; $40 million has already been raised towards that goal.

A scholar, teacher, and administrator, Dr. Weinstein served as founding President and Chancellor of Chicago's Spertus College of Judaica from 1964 to 1984. Spertus, in addition to offering degrees to its own students, works closely with more than 20 colleges in the Chicago area, including the University of Illinois, Northwestern University, Loyola, DePaul and the Chicago Cluster of Graduate Theological Schools at the University of Chicago, through a multilateral consortium of Illinois colleges for Judaic studies.

He is a language consultant for several U.S. cities, and was the field director for Harvard University's Language Teaching Program in Israel.

Dr. Weinstein received his doctorate in Language Education from Harvard University in 1956, and his master's degree in Hebrew Literature from Hebrew College in 1953. He has taught college courses in Hebrew, modern Jewish studies, biblical studies and teaching foreign languages. He is also author or co-author of eight books in those fields. He received an honorary doctorate in Hebrew Literature from Spertus College in 1976.

STEPHEN E. LYNCH

Special Assistant to the Regional Director
National Park Service, National Capital Region

Mr. Lynch, a native of Alexandria, Indiana, has served in a variety of administrative positions with the National Park Service for the past 15 years. He was appointed to his current position as administrative liaison to the Holocaust Council in January 1983 and, prior to that, he had served as Personnel Officer for National Capital Region. He has served on task forces related to the Civil Service Reform Act and President Carter's OMB Reorganization Plan. Mr. Lynch received his Bachelor's Degree from Purdue University and his Master's in Public Administration from the George Washington University. He is a member of the American Society for Public Administration, the International Personnel Management Association, and has just been elected President of the Advisory Committee of the Mid-Atlantic Region Horticulture Hiring the Disabled, on which he has served as a member since 1982.

INTRODUCTION OF ASSOCIATES

Mr. WEINSTEIN. Thank you, Mr. Chairman. May I first introduce Mr. Steve Lynch to my left, who is the Special Assistant to the Regional Director of the National Park Service, National Capital Region. Behind me are many of my distinguished colleagues who I think will sit and listen.

I believe I could summarize very quickly our activities by referring to one page in the statement submitted to you.

Our Federal funds budget, if approved, will fund 29 full-time equivalent work-years, and enable the Council to do the following: to continue to fulfill its legislated mandates which include support of civic commemorations—days of remembrance—to maintain its momentum toward constructing a national Holocaust memorial museum, and to meet its other legislated mandates including the development and planning of the permanent and changing exhibitions, educational programs and facilities such as theater, classroom and conference spaces, the development of a major research library and international archival network, and other related activities.

If you would permit me to add one statement that is not in the prepared statement, I have three short paragraphs which I believe are important to our Council and perhaps to the committee.

On February 4, 1987, Mr. Harvey M. Meyerhoff of Baltimore was appointed by President Reagan as Chairman of the U.S. Holocaust Memorial Council, succeeding Professor Elie Wiesel who resigned 2 months earlier. Mr. Meyerhoff brings to his chairmanship an expertise in management, administration, finance, and construction, as well as a deep moral commitment to this noble and historic project.

I predict that the months ahead will be a time of action with the rapid development of the exterior and interior designs of the museum and excavation commencing in late summer.

We, the Council, applaud President Reagan's selection and I'm certain that Chairman Meyerhoff will advance the work of the Council impressively, giving direction to its future. Thank you.

PRESIDENTIAL APPROVAL OF EXECUTIVE DIRECTOR

Senator REID. Thank you very much.

The House version of the supplemental bill includes language that would no longer require Presidential approval of the position of executive director. I understand that approval of your position by the White House is imminent, as I already mentioned.

Why was this language included in the bill, if that is the case? Do you know?

Mr. WEINSTEIN. I think I do know. There have been times in the past and even now where the position has been vacant. As you certainly understand, no position of an executive director should be vacant in any organization. That's one thing.

The second point, it's not an unusual request. There are other agencies, small, Interior-related agencies, that follow a similar procedure where the chairman is appointed by the President but the executive director is not.

Senator REID. So if you had your druthers, that's how you would want it?

Mr. WEINSTEIN. Not necessarily. I personally do not have an opinion one way or the other. The important thing is to get the job done. If I thought for one moment that whether I was appointed by the President or not would help my position, then I could take a strong stance. But I believe, more importantly, the executive director must have the full support of the chairman. If he has that, and that of the members of the Council, he certainly will be able to do his job.

Personally, I spent 2½ years at the national fundraising campaign as a director prior to this appointment.

Senator REID. Has the lack of formal Presidential approval impeded any of your abilities to be an effective executive director?

Mr. WEINSTEIN. No; because of the full support of the Chairman and the Council members.

PAY INCREASE AND FEDERAL EMPLOYEES' RETIREMENT SYSTEM

Senator REID. Cost of the mandatory pay increase and the new Federal Employees' Retirement System are estimated to be $35,000. The committee has recommended funding for pay and FERS cost for only a few of the independent agencies and only under extreme circumstances. The committee has not recommended funding pay and FERS for the Holocaust Memorial Council.

Where were you planning to absorb the pay and FERS costs?

Mr. WEINSTEIN. We would delay the development of the prototype of our international archives inventory for the documentation.

Senator REID. Would this cause a serious delay to the program, the archives program?

Mr. WEINSTEIN. Yes; I think it would if we were not able to find a sufficiency of funds perhaps from other sources, including the private sector, by grants from potential institutions.

Senator REID. Have you considered spreading these costs across the board?

Mr. WEINSTEIN. We did consider that, however, we found it somewhat impractical because of the limited amount of money and I believe by placing it in the appropriate object classification we could spread it out.

Senator REID. Would you provide a breakdown of where the $17,000 is going to go related to the 1988 request and your proposal to reinstate the $17,000 which was taken out last year during conference?

Mr. WEINSTEIN. Yes, Mr. Chairman; this year's commemorative days of remembrance have been extremely successful due to the personal direction of Ms. Marian Craig, who is with us today. This year the number of inquiries have increased over 40 percent. We now have days of commemoration in the 50 State capitols and over 125 cities, and her statement to me about the increase alone will absorb that particular sum of money.

FINANCE OFFICE

Senator REID. You also referred to $65,000 for a finance office. There is no reference anywhere else to a finance office in your justification.

Explain to the committee what this means.

Mr. WEINSTEIN. I believe that $65,000 is basically for a finance office which would include not only the salary of the officer and one-half secretary, but also some of the software and hardware necessary to implement the functions of the office as recommended by our outside auditors.

CONSTRUCTION

Senator REID. The Holocaust Memorial Council was authorized in 1980. One of the primary goals of the Council was to plan, construct, and oversee the operation of a permanent, living memorial museum to the victims of the Holocaust. Included in the authorization was a stipulation that construction was to begin within 5 years.

Now in October 1985 a groundbreaking ceremony was held with Secretary Hodel approving the construction of the museum and participating in the ceremony. However, since then, essentially no construction has taken place. It's almost 3 years since you were required by law to commence construction of the museum. For 3 years you have received an annual approximately $2 million appropriation.

This is a small agency by Government standards, as you know. Yet, the Council's inability to get construction underway would indicate some serious problems within the organization.

Is there anything you can do to assure the committee that construction of the museum will, in fact, commence this year?

Mr. WEINSTEIN. Mr. Chairman, I most assuredly can convince you and your members.

Senator REID. How can you do that?

Mr. WEINSTEIN. I'll tell you how I can do that. One of the things that I did was to read into the record a statement about our new Chairman, Mr. Meyerhoff. The man is superb. He absolutely is. He is a builder. He's a financier. He's a banker. He provides us with the kind of leadership that frankly was not those particular skills of his predecessor.

Additionally, may I state this to you, I have received from our Museum Director a schedule of events. Excavation will begin—demolition of the remaining facilities will begin this summer. In the latter part of the summer, excavation, sheeting, and shoring we should begin.

Senator REID. When do you think it will be completed?

Mr. WEINSTEIN. Oh, God, I would love to say December 1988. President Reagan would love to be there to complete it, but it will not be done at that time.

Realistically, I would say the spring of 1990.

Senator REID. When will you unveil the new architectural model of the museum?

Mr. WEINSTEIN. The plans are to unveil before the Commission on Fine Arts Friday, May 22.

Senator REID. It's all right there?

Mr. WEINSTEIN. Yes, sir.

Senator REID. Do you know what the final cost of the museum construction, including demolition of the existing buildings will be?

Mr. WEINSTEIN. I have a general idea, sir.

Senator REID. And that is?

Mr. WEINSTEIN. That would be $40 million. When you speak about equipping the museum with all its permanent exhibitions and archival materials and the like, add another $35, perhaps another $40 million, to it.

NATIONAL ARCHIVES PROJECT

Senator REID. In 1986, $135,000 was appropriated from an accelerated archival restoration project of World War II, severely damaged materials discovered in Old Town Alexandria. This was to be a 3-year intensive effort to save damaged historical materials. In fiscal year 1988, the third year of the project, you are requesting an additional $70,000.

When do you expect to complete this?

Mr. WEINSTEIN. The prediction of Brewster Chamberlin, who is with us today, our Director of Archives and Libraries, would be 1990. This would be a 5-year project, $70,000 a year, a total of $350,000. I'm informed by Dr. Chamberlin that in the process of working now he and the other archivists on the project have discovered a plethora of material that they didn't even know existed there, so they may come to a point where we may be even needing more by 1990.

Senator REID. That's the next question I have. Have the archivists issued a report on new information on what was discovered pertaining to the Holocaust among these materials?

Mr. WEINSTEIN. Yes; the more he and the staff dig, the more they discover.

Senator REID. Could you in writing give us some information as to what has been discovered to this point?

Mr. WEINSTEIN. Absolutely. You said it, yes.

Senator REID. In your breakdown of the expense for the National Archives project, $32,000 is requested for other services. Does this refer to the special computer capability established for this project?

Mr. WEINSTEIN. No; it does not, sir. It refers to our cooperative arrangement with the National Archives. We pay that sum for technicians.

Senator REID. You have a separate archive program within your museum development program. Are you establishing a data base in the National Archives project?

Mr. WEINSTEIN. The National Archives project is part of the prototype that is being developed for an automated inventory network for international Holocaust documentation. That is a part of the total prototype package we refer to as phase 3–A.

The need of the Council would be for the total prototype and this particular year we move into phase 3–B, which includes the installation in two other locales—namely, Jerusalem and Paris—so there will be four such areas. However, as I keep saying to Brewster, there are at least 100 institutions in Europe alone that have archival material that we will ultimately want to bring into our network.

Senator REID. Thank you. Your testimony has been very helpful. We appreciate it very much. Once again, I congratulate you on your new position. You seem determined to get the museum built and get things moving. This is, of course, encouraging and I look forward to next year when you're in the ~~middle of construction~~ when you'll be coming here asking for some more.

Mr. WEINSTEIN. Thank you, Senator.

ADDITIONAL COMMITTEE QUESTIONS

Senator REID. There will be some additional questions which will be submitted to you for your response.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

1. Please provide a breakdown of where the $17 thousand will be spent.

This increase will be allocated to our Commemorative Observance programs and related Outreach efforts.

2. Why do you feel Congress will accept this proposal this year when it was rejected last year?

We are closer to construction of the Museum, which demonstrates that we have utilized our Congressional appropriations in good faith. We have also demonstrated great success with our Days of Remembrance outreach program which justifies this nominal reinstatement of funds to our base.

3. Please explain what you mean by "reprogramming requirements." Do you anticipate a reprogramming in FY 1988?

With the budget cycle beginning two years in advance, for a small and changing organization such as ours, we have occasionally had to move funds from one object class to another in order to meet our mission requirments. This has been done within the guidelines issued by Congress for reprogramming. We do not, at this point, project reprogramming for FY 88.

4. It is almost three years since you were required by law to commence construction of the Museum. For three years, you have received an annual $2 million appropriation. This is a small agency by government standards, yet the Council's inability to get construction underway could indicate serious problems within the organization.

Can you assure the Committee that construction of the Museum will, in fact, commence in FY1987?

Very definitely, construction will begin in late summer or early fall of Fiscal Year 1987.

5. What is your estimated date of completion?

The Spring of 1990.

6. When will you unveil the new architectural model of the Museum?

We will be presenting the plans to the Commission on Fine Arts on May 22.

7. What will be the final cost of Museum construction, including demolition of the existing buildings?

Actual construction will require approximately $40 million; the exhibits, education, and archival facilities will require approximately $35 million. Until we finalize the design we cannot be firm on our construction cost estimates.

8. Donated Funds - How much have you received in donated funds to date? In FY1987? How much has the Council raised in cash to date? How much has been pledged to date?

$40,542,920
$10,966,118
$29,504,341 (balance due on pledges)

9. Travel Expenses - According to the justification, $50,000 was reprogrammed from "Travel Expenses" to "Other Services" for travel expenses incurred by participants of the "Non-Jewish Victims" Conference. How many participants were there who received full travel expenses?

76 individuals participated in the Conference.

10. $165 thousand was appropriated for travel in FY1987? The Conference travel expenses took almost one-third of this amount. Was other travel necessary for the Council reduced in order to accommodate this?

No

11. Please provide for the record, a detailed breakdown of how the remaining $115 thousand appropriated for travel expenses was utilized by the Council in FY 1987 including destination and purpose of travel.

See next page.

Detail Object Class 21, Travel

Council Committee Meetings	FY 87	Dest.	Purpose
Executive Committee	$ 1,000	Wash D.C.	Review Museum Development Progress
Community Outreach Committee	4,000	Wash D.C.	Policy for Outreach activities
Church Relations Committee & Seminar	4,000	Wash D.C.	Policy for Church Outreach activities
Committee on Conscience	4,000	Wash D.C.	Policy Leadership
Museum Content & Cultural Arts	1,000	Wash D.C.	Policy Leadership to Staff
Board of Advisors	1,000	Wash D.C.	Advice to Chairman
Audiovisual Committee	1,000	Wash D.C.	Policy Leadership and Content Review
Archives Committee	4,000	Wash D.C.	Policy Leadership and Content Review
Library Committee	2,000	Wash D.C.	Policy Leadership and Content Review
Writing Contest Committee	2,500	Wash D.C.	Policy and Judge Entries
Project AHEAD	2,500	Wash D.C.	Policy for Educational Direction
Education & Education Resource Comm.	5,500	Wash D.C.	Policy for Educational Direction
Committee to Remember Children	10,000	Wash D.C.	Policy, Planning & Education Seminar
Days of Remembrance	4,000	Wash D.C.	Policy and Planning of Annual Commemoration
	$46,500		
Professional Staff & Consultant/ Expert Travel for Research, Outreach, Professional Meetings & Related Business			
Executive Director	$ 2,500	Varied	Campaign representation, meet. with Chrmn & V-Chrmn.
General Counsel	-0-		
All Staff Inter-City Travel	1,000	Wash D.C.	Meetings in Washington, D.C.
Executive Assistant	-0-		
Church Relations Consultant	500	Wash D.C.	Meetings with Exec. Director (Duty Station St. Louis, MO)
Asst. Dir., Public Affairs			
Asst. Dir., Research			
Research Dir., Professional Conference	400	New York	Professional Museum Content Meeting
Asst. Dir., Outreach	-0-		
Asst. Dir., Archives Domestic & Professional Meetings	6,500	Israel & France	Establish & Review requirements for Archive Network
Archives Consultant	1,000	Varied	Review material & individuals making offers of donation or sale of artifacts & library materials.

	FY 87	Dest.	Purpose
Asst. Dir., Operations	-0-		
Asst. Dir., Education	2,000	Boston/Maine/Phila./Dallas	Education Advisory Group/Addressing Librarian Conf. on Holocaust/Representing Council at Westchester Univ. Prog,/Assn. of Holocaust Centers
In-Service Training Speakers	1,800	Wash D.C.	Bring in professional specialists to provide staff & Council members training related to Holocaust studies
Education Experts	10,000	Wash D.C.	Bring in Experts to plan Education Conf. for FY 88
	$25,700		
Council Meetings	$26,000	Wash D.C.	2 Council Meetings per year
Other Victims Conference	$55,000	Wash D.C.	76 Guest Speakers for Conference (many European)
	$165,200		

12. In FY1988 you are requesting $132 thousand for travel. This is a $33 thousand reduction from FY87. What major travel requirements do you anticipate in FY1988?

A major national conference on Holocaust education, European archival travel related to the International Archive Inventory Network, Council meetings and Council Committee meetings.

National Archives Project

13. Has the Archivist issued a report on what exactly was discovered that pertained to the Holocaust among the damaged materials? According to the Justification (p.16) "36 major record groups have been identified," and "of these, 2 of the groups deal with war crime records." Please provide a report to the Committee on what was discovered among the restored materials.

The attached statistical report covering the activities of the National Archives Project, from its inception through March 1987, shows the preservation measures taken to retard the chemical deterioration of paper Holocaust related records.

The Council will shortly begin to microfilm certain series of Holocaust related records in the National Archives as a preservation measure once these records have been cataloged by the Project.

The attached survey of NARA record groups with Holocaust related records will give the Committee an overview of the extent of the material to be catalogued and for which preservation measures have been and will be undertaken.

14. Your Justification states that prior year resources were allocated to install automated systems requirements. In FY1986 this project was described as an "emergency situation" because the records were damaged by floods and were rapidly deteriorating. Does this danger still exist?

As we testified before the Committee on behalf of the FY86 budget proposal, the National Archives alleviated the "emergency situation." However, the deterioration of low-grade wartime paper through the aging process is continuing apace. Thus the preservation requirements for the project, while not emergency needs, continue to be pressing and increase with the passage of time.

15. My concern with this project stems from an apparent change in attitude by the Council toward this project. Originally, this was an emergency three-year project. Now you are describing it as the groundwork for an "automated international inventory network of archival material." Does this mean that a three-year emergency project is turning into a new permanent line item in the Council's budget?

On the basis of our knowledge of the records in 1984-85 we anticipated that, with a funding level of $135,000 per annum, we could complete the project within three years.

The budget for the second project year was reduced to $70,000 by the Congress, but the time was extended to five years.

On the basis of intensive work in the National Archives, we now know more about the records and, while we anticipate being able to complete the project at the end of the fifth year with the current funding level, we cannot guarantee we will have covered all the relevant records. We will certainly have dealt with the bulk of them.

We do not anticipate turning the project into a permanent line item in the Council's budget.

16. You have a separate archive program within your Museum Development Program. If you are establishing a database in the National Archives Project, what is the function of the Archives Program within Museum Development?

The cataloging of these records according to their Holocaust relevance, a task not undertaken by NARA in the course of its inventory work, is a vital part of the NARA Project.

We were able to fit this cataloging task into the development of the Council's planned automated inventory system for international Holocaust documentation. The material in NARA must be cataloged according to the same standards and format as the material in other institutions to be included in the system including the Museum's own archival collections. Catalog information will all be part of the same central database in the Museum and shared with the other institutions and the public.

Commemorative Observances

17. You are requesting a $19 thousand increase for the Commemorative Observances associated with the national "Days of Remembrance." Are you expanding this program or have the costs increased?

It is a combination related to the increased requests for outreach materials. This year alone we filled 7000 orders as compared to 5,000 in FY1986.

MEMORANDUM FROM JOHN FERRELL, ARCHIVIST, U.S. HOLOCAUST MEMORIAL COUNCIL

MEMORANDUM

April 20, 1987

TO : Brewster Chamberlin
Director of Archives and Library

FROM : John Ferrell
Archivist

SUBJECT: National Archives Project Progress Report

Below is a list of some of the main elements of Archives Project work that have been completed to date, together with some "whys and wherefores" concerning each element.

1. To gain a better sense of the volume and nature of Holocaust documentation in National Archives (NARA) files, a preliminary survey was completed and the results of the survey were summarized in a 57-page report. Since NARA does not ordinarily catalog its records according to Holocaust subject terminology, the survey required careful analysis of NARA finding aids and numerous discussions with NARA subject specialists. The survey report, as well as the personal contacts developed in the course of its preparation, will be of ongoing importance in setting USHMC project goals and allocating project resources.

2. Descriptive work at the series and/or file-unit level was performed on Holocaust-related materials in seven NARA record groups. By selecting records from a wide variety of NARA holdings, we were able to further test the adaptability of the USHMC database system to various types of documents and filing schemes.

3. A "first draft" has been completed of a subject-heading index to the USHMC computerized database system. This index is currently being refined, and appropriate cross-references are being added. When completed, the index will allow researchers to gain access to database information through the use of hundreds of Holocaust-related "keywords" -- e.g., Aryanization, Deportations, Slave Labor, Ghettos, Persecution of Jews, Refugee-aid Organizations, and War Crimes.

4. A preliminary survey was completed of microfilmed NARA records relating to Nazi-era German industries. Since a number of German firms employed slave labor drawn from concentration camps, this survey report should prove valuable in uncovering documentation of this facet of the Holocaust experience.

5. Records of the U.S. Allied Commission, Austria (USACA) were surveyed, and a 41-page report of the survey findings was prepared. These records of the postwar U.S. occupation of Austria contain considerable information relating to the Holocaust. For example, restitution claim files describe "aryanization" of Jewish property after the Nazi takeover of Austria, and reports from the USACA Internal Affairs and Displaced Persons Division describe life in the camps set up in Austria for the large numbers of people (many of them Jewish) who were displaced by Nazi policies and the fortunes of war. Since the USACA records have not been inventoried by NARA, the USHMC survey, together with additional finding aids currently being compiled by USHMC technicians in the course of preservation work, will be a valuable first step in facilitating Holocaust research.

6. Records from the extensive "Regional" U.S. Army intelligence files in NARA Record Group 165 were surveyed to pinpoint Holocaust-related materials. The Regional Files, which date from 1922 to 1944, are a rich potpourri of intelligence reports from a variety of sources, together with newsclippings and other published material, which relate to the history, geography, politics, economics, social conditions, and military situation of various countries. Many of the documents highlight the growth of fascism and anti-Semitism in various European countries during the 1930s or describe the persecution of Jews and other groups of people who were singled out as enemies of the new Axis order in Europe. NARA has no detailed finding aid for these records, so the 40-page USHMC survey report will be valuable in facilitating Holocaust research, as well as setting the groundwork for more detailed database descriptive work in the future. The report will also be used to isolate Holocaust-related portions of the Regional Files that require immediate preservation measures.

7. The following statistics for the project reflect the period April (start of project) through March 1987.

2,678	cubic feet of records processed
7,503	reboxing actions
44,380	refoldering actions
8,647	polyester sleeves used
64,780	additional preservation actions
29,722	arrangement actions (preparation of folder and box labels, rearrangements of documents and files were out of order).

PRELIMINARY SURVEY OF HOLOCAUST-RELATED RECORDS IN NATIONAL ARCHIVES COLLECTIONS

John Ferrell

U.S. Holocaust Memorial Council

July 1986

Record Groups and Other NARA Collections Surveyed and Described

RG 18	RECORDS OF THE ARMY AIR FORCES
RG 44	RECORDS OF THE OFFICE OF GOVERNMENT REPORTS
RG 59	GENERAL RECORDS OF THE DEPARTMENT OF STATE
RG 60	GENERAL RECORDS OF THE DEPARTMENT OF JUSTICE
RG 80	GENERAL RECORDS OF THE DEPARTMENT OF THE NAVY, 1798-1947
RG 84	RECORDS OF THE FOREIGN SERVICE POSTS OF THE UNITED STATES
RG 85	RECORDS OF THE IMMIGRATION AND NATURALIZATION SERVICE
RG 107	RECORDS OF THE OFFICE OF THE SECRETARY OF WAR
RG 111	RECORDS OF THE OFFICE OF THE CHIEF SIGNAL OFFICER
RG 112	RECORDS OF THE OFFICE OF THE SURGEON GENERAL (ARMY)
RG 131	RECORDS OF THE OFFICE OF ALIEN PROPERTY
RG 153	RECORDS OF THE OFFICE OF THE JUDGE ADVOCATE GENERAL (ARMY)
RG 165	RECORDS OF THE WAR DEPARTMENT GENERAL AND SPECIAL STAFFS
RG 169	RECORDS OF THE FOREIGN ECONOMIC ADMINISTRATION
RG 200	NATIONAL ARCHIVES GIFT COLLECTION
RG 208	RECORDS OF THE OFFICE OF WAR INFORMATION
RG 210	RECORDS OF THE WAR RELOCATION AUTHORITY
RG 218	RECORDS OF THE UNITED STATES JOINT CHIEFS OF STAFF
RG 220	RECORDS OF TEMPORARY COMMITTEES, COMMISSIONS, AND BOARDS
RG 226	RECORDS OF THE OFFICE OF STRATEGIC SERVICES
RG 233	RECORDS OF THE UNITED STATES HOUSE OF REPRESENTATIVES
RG 238	NATIONAL ARCHIVES COLLECTION OF WORLD WAR II WAR CRIMES RECORDS
RG 239	RECORDS OF THE AMERICAN COMMISSION FOR THE PROTECTION AND SALVAGE OF ARTISTIC AND HISTORIC MONUMENTS IN WAR AREAS
RG 242	NATIONAL ARCHIVES COLLECTION OF FOREIGN RECORDS SEIZED, 1941-
RG 243	RECORDS OF THE UNITED STATES STRATEGIC BOMBING SURVEY
RG 260	RECORDS OF UNITED STATES OCCUPATION HEADQUARTERS, WORLD WAR II
RG 262	RECORDS OF THE FOREIGN BROADCAST INTELLIGENCE SERVICE
RG 306	RECORDS OF THE UNITED STATES INFORMATION AGENCY
RG 319	RECORDS OF THE ARMY STAFF
RG 330	RECORDS OF THE OFFICE OF THE SECRETARY OF DEFENSE
RG 331	RECORDS OF ALLIED OPERATIONAL AND OCCUPATION HEADQUARTERS, WORLD WAR II
RG 332	RECORDS OF UNITED STATES THEATERS OF WAR, WORLD WAR II
RG 338	RECORDS OF UNITED STATES ARMY COMMANDS, 1942-
RG 389	RECORDS OF THE OFFICE OF THE PROVOST MARSHAL GENERAL, 1941-
RG 407	RECORDS OF THE ADJUTANT GENERAL'S OFFICE, 1917-
FDR	MISCELLANEOUS COLLECTIONS AT THE FDR LIBRARY

KEY TO ABBREVIATIONS

Sources of Information (individuals and published articles)

CH	(for Chamberlin) Holocaust Project task outline from USH~~H~~MC
CR	David M. Crowe Jr. "The Holocaust: Documents in the National Archives of the United States." American Jewish History (March 1981).
EC	Ed Coffee, archivist, military records, National Archives.
HM	Henry Mayer, archivist, military records, WNRC.
JGE	"Documents Concerning Jews in Germany/Europe," a file of copies of Holocaust-related records maintained by Eddie Reese, archivist, military records, National Archives.
MN	John Mendelsohn. "The Holocaust: Records in the National Archives on the Nazi Persecution of Jews." Prologue (Spring 1984).
MNG	John Mendelsohn. "Genealogy and the Holocaust: Selected Sources at the National Archives." Prologue (Fall 1983).
MNR	John Mendelsohn. "The Holocaust: Rescue and Relief Documentation in the National Archives." The Annals of the American Academy of Political and Social Science (July 1980).

Locations of Records

DT	National Archives, Washington, D.C.
PK	National Archives Cartographic Branch (NNSC), Pickett Street, Alexandria, Va.
PL	Presidential Libraries
ST	Washington National Records Center (WNRC), Suitland, Md.

SURVEY METHODOLOGY

This is by no means a complete survey of NARA's Holocaust-related records. In general, I examined finding aids and/or conferred with NARA staff members only in regard to records that fell into one or more of the following categories:

1. They were mentioned in a USHMC project task list (herein referred to as "CH").
2. They were described to me by one or more NARA staff members as an actual or possible source of Holocaust-related materials.
3. They were described in a NARA publication in a way that indicated actual or probable Holocaust connections.
4. They were described in one of several periodical articles that attempted to summarize NARA Holocaust-related holdings.
5. They were "accidentally" discovered in the course of research on another body of records.

In other words, inclusion of a summary sheet for a particular record group does not imply that the entire record group was surveyed--only the portions of it that were known or suspected to contain Holocaust-related materials. Undoubtedly, many other Holocaust records are among NARA's holdings, and some of them will surely be discovered through their associations with, or cross-references to, records that are described in this preliminary survey.

NOTES CONCERNING AUDIOVISUAL RESEARCH.

Still Pictures

The research room of the NARA Still Pictures Branch has Holocaust-related information in folders with the following titles:

Concentration Camps
Finding Aids (Geographic) Germany
Holocaust
Nazi Atrocities
Invasion of Russia, 22 June 1941
Poland - Blitzkrieg and the General Government
Rise of Nazism in Germany

The folders contain various lists, and the one bearing the "Holocaust" title has a very useful one-page reference service report on the types of Holocaust-related still pictures to be found in various record groups. Folders also contain some copies of photos.

The folders do not give much sense of how many photos are to be found in a particular record group or how many photos overall relate to a particular topic. Some additional information of this kind may be gained from the Still Pictures Branch card catalog, but collections that are described may also include some material that is not Holocaust-related.

Motion Pictures

Research of Holocaust-related films may well be the easiest job of the entire Holocaust records project. If that assessment is correct, the thanks will go largely to Charles L. Gellert, a former NARA staffer who prepared a finding aid entitled A Guide to Motion Pictures on Jewish History in the National Archives of the United States. Soon to be published, this guide is now available in draft form in the research room of the Motion Picture, Sound & Video Branch. It is easy to use and provides summary descriptions of the contents of each film that are adequate to indicate the Holocaust connection. Mark Meader, an Audiovisual Division staff member, says the guide is fairly complete, and that additional NARA catalog information is available that provides greater content detail for the films.

Sound Recordings

Several finding aids are available for these records. An audio card catalog in the research room of the Motion Picture, Sound & Video Branch is arranged in three parts: by record group, by personal name, and by subject. This catalog can be very useful, but the degree of descriptive detail varies and some recordings are not listed in the cards at all. An additional catalog, in book form and arranged by record group, is also in the research room, and it provides some more technical and statistical detail (type of recording, number of items). Some recordings not listed in the card catalog may be found here.

Printed guides to the sound recordings include the following:

1. Sound Recordings in the Audiovisual Archives Division of the National Archives (1972). Arranged by record group. It briefly summarizes the types of speeches, programs, etc., to be found among the recordings of each record group

2. Sound Recordings: Voices of World War II, 1937-1945. A select list.

3. Captured German Sound Recordings. Another select list.

None of these catalogs or printed guides provides sufficient detail to pinpoint many of the Holocaust-related recordings. In some cases, about all one has to go on is that a recording of a particular speech by a particular German leader is available for listening.

RG 18 RECORDS OF THE ARMY AIR FORCES

EXTENT: 11,077 cu ft

LOCATION: about 80% DT, 20% ST:23 ft at PK

Combat Mission Reports

MN (p. 38) refers to combat mission reports of the Fifteenth Photo Reconnaisance Squadron relating to missions over Auschwitz, Monowitz, and Birkenau: "The...reports allude to locomotives...and smokestacks belching smoke." A finding aid at Suitland, with the header "Entry No. 7, RG 18, Air Adjutant General-World War II Combat Operations Reports, 1941-46, Box 1-1868," pinpoints these records: they are in Carton No. 698. MN's specific report references for this file are to: 302 (August 20, 1944), 430 (November 29, 1944), 454 (December 21, 1944), 469 (December 26, 1944), 494 (January 14, 1945), and 505 (January 21, 1945).

Motion Pictures

The Gellert Guide lists approximately 15 reels with scenes relating to concentration camps.

FDR - MISCELLANEOUS COLLECTIONS AT THE FDR LIBRARY

EXTENT: not known

LOCATION: Hyde Park, N.Y.

Records of the War Refugee Board

See summary sheet for RG 220

Evian-les-Bains Conference, 1938

This international conference was called by FDR to find means to facilitate the emigration of Jews from Germany. MNR (p. 243) notes two collections at the FDR Library that include material on the conference:

1. The President's secretary's file on refugees (Official File 3186)
2. Papers of Myron C. Taylor (chairman of the U.S. delegation)

Rublee-Schacht Negotiations, 1938-39

Records of negotiations between George Rublee, a State Department official, and Hjalmar Schacht of the Reichsbank (and later with Helmuth Wohlthat) concerning Jewish emigration. MNR (p. 244) cites the following collections at the FDR Library for their information concerning these negotiations:

1. Papers of Myron C. Taylor
2. Records of the President's press conferences
3. Diaries of Henry Morgenthau (which also contain material on the St. Louis affair)

MNR notes several finding aids at the FDR Library for the Holocaust-related collections.

RG 44 RECORDS OF THE OFFICE OF GOVERNMENT REPORTS

EXTENT: 698 cu ft

LOCATION: all at ST except 42 ft in A-V branches DT

Government Documents Relating to Wartime Concerns

The preliminary inventory of RG 44 (PI-35) includes an appendix that lists several hundred government documents (reports, studies, etc.) relating to a wide variety of government concerns during wartime. No. 8 relates to tensions in the U.S. involving Jews; Nos. 9 and 543 relate to anti-Semitism in the U.S.; No. 188 relates to newspaper coverage of the Lidice massacre. The appendix is a selected list of the documents in the record group, so others of interest may also be present. An annotated inventory at Suitland may be used to locate the publications identified in the appendix.

Still Pictures

A Holocaust reference service report from the NARA Still Pictures Branch mentions "several posters dealing with Nazi atrocities including the Lidice Massacre."

RG 59 GENERAL RECORDS OF THE DEPARTMENT OF STATE

EXTENT: 23,589 cu ft

LOCATION: most is DT; about 4,000 ft at ST and a scattering is at
PK and a scattering of PLs

General Background

This record group has a good but somewhat dated preliminary inventory (PI-157, 1963). An updated version of this finding aid is available on microfiche, and it should be noted that the numbers assigned to the series described below are different in the two versions; my citations are according to the microfiche designations.

Note that the Holocaust-related records in RG 59 are divided between Downtown and Suitland; an indication is provided below where each group is stored.

Decimal File (DT)

CR, MN, and MNR provide many specific references to this large file of correspondence and other records. The file (series 205) covers 1910-49 and is divided into four time segments. CR (pp. 363-367) gives some guidance on the file's arrangement, and he notes that "records on the Holocaust are located primarily under three specific designations: .404(religion), .4016(race), and .48(calamities)." Among the specific subjects in the file that he mentions are the following:

1. Nazi economic policies toward Jewish firms between 1930 and 1939.

2. Nazi race policies and Nazi laws on Jewish marriage and divorce.

3. The growth of Jewish relief organizations in Europe before 1940.

4. The evolution of Nazi race policies in Vichy and German-occupied France.

5. Germany's relationship with its Jewish population during the war.

CR gives enough other examples to make clear that one could devote a good deal of time to researching the Holocaust-related records in the Decimal File.

MN (pp. 32-33) differs from CR in citing the following headings as the ones under which the greatest number of Holocaust-related records can be found in the file: refugees, racism, and Jewish emigration. He notes that the files cover many subjects, and specifically mentions the anti-Semitic laws, emigration of Jews from Germany, Kristalnacht, and rescue and relief activities.

MNR (pp. 243-246) provides specific reference to a number of the files, including those relating to the Evian-les-Bains Conference of 1938, the Haavara agreements concerning Jewish emigration to Palestine, and the *St. Louis* affair of 1939.

Division of Commercial Affairs Consular Trade Reports (ST)

CR (p. 367) says these reports cover "the entire Holocaust period, with material on government and private economic policies, particularly those that affected the economic life of Jews in Europe." The records are in series 324-326. The main series is 324 (691 ft and 680 rolls of microfilm), and it covers 1925-50; series 325 and 326 are report registers.

Division of Commercial Affairs Consular Political Reports (ST)

Another CR citation (p. 367). He notes that the reports (series 330, 50 ft) deal with political conditions in Europe from 1925 to 1935. Like the Trade Reports, he says, these records "offer valuable insight into the political and social climate in various European countries during the Holocaust" as a result of being drawn from local newspaper accounts, interviews with government officials, and other primary sources.

Petitions of the Jewish Peoples' Committee, 1938 (DT)

Another CR citation (p. 367). This series (712, no footage noted) contains samples of petitions in favor of a House Joint Resolution that would have allowed more Jewish immigration.

Reports of the Special Interrogation Mission to Germany (DT)

Still another CR citation (p. 367). The reports relate to a mission sent by the Department of State to Germany in 1945 to interrogate former German government officials and military leaders regarding such subjects as foreign relations, propaganda, and the Nazi party. The first three boxes in this series (1082) have been reproduced as a NARA microfilm publication (M679); a fourth box was accessioned in 1980.

Visa Files (divided among DT and ST)

CH lists these files among the records for which finding aids should be scanned for Holocaust-related records, and MN (p. 33) simply says they contain documentation on emigration during the Holocaust period. There are several hundred feet of Visa Division records in series 701-711; these series cover varying time periods in the 20th century and extend to as late as 1959. Holocaust-related records do not show up in the series descriptions, but some of the series contain finding aids that may help to pinpoint specific subjects relating to emigration.

RG 60 GENERAL RECORDS OF THE DEPARTMENT OF JUSTICE

EXTENT: 17,953 cu ft

LOCATION: 90% DT; remainder at ST except for 73 ft at PK

Records Relating to the German-American Bund

Cindy Fox, an NNFJ staffer downtown, provided a reference to an extensive file of Justice Department material. The reference is #235343 (Straight Numerical File), and the material is stored downtown in 55 archives boxes. An additional 11 ft of exhibits relating to the Bund and dating from the period of WW II is stored at Suitland (146-11-38), but it is still in the custody of the Justice Department and an FOIA request to Justice is required to use those records.

RG 80 GENERAL RECORDS OF THE DEPARTMENT OF THE NAVY, 1798-1947

EXTENT: 9,534 cu ft

LOCATION: nearly all DT

Still Pictures

An internal finding aid in the NARA Still Pictures Branch (folder entitled "Concentration Camps") lists this record group as a source of photos relating to the camps.

RG 84 RECORDS OF THE FOREIGN SERVICE POSTS OF THE UNITED STATES

EXTENT: 34,263 cu ft

LOCATION: about 75% DT, 25% ST

General Background

CR (pp. 367-368) calls the records of foreign service posts an "important set of State Department records on the Holocaust." "They are valuable to Holocaust scholars," CR says, "because they contain up-to-date observations of events...in Europe based upon information from local sources." He cautions that sometimes files from seemingly insignificant locations are of value; for example, a 1943 report from Jamaica has material on Jewish refugees.

CR says the most important of the post records for Holocaust research are intelligence files, especially those from posts in neutral European countries and Turkey after 1940.

Finding Aids and Research Accessibility

The post files Downtown end with 1935; the files for 1936 and later are at Suitland.

Both CR (p. 367) and MN (p. 33) note that many of the post records duplicate items in the State Department decimal file (see summary sheet for RG 59). The post records are also arranged according to the same filing scheme. Thus, a researcher should identify in advance which posts are likely to yield pertinent information, and also have a good idea of which decimal designations are likely to places in which such information would have been filed. Consult tips of MN and CR on use of the State Department decimal file system (again, see RG 59 summary sheet). The principal finding aid to be used along with this rather intuitive research approach is "List of Foreign Service Post Records in the National Archives" (Special List 9), which is exactly that--a list of posts and the years for which the collection has records of those posts. There is no narrative description of record contents. The introduction to this Special List mentions "post indexes" and CR refers in passing to the availability of "some card indexes and registers," but in talking to Dane Hartgrove at NNFD Downtown and Janet Hargett and

David Pfeiffer at NNFG in Suitland, the message seemed to be the same: the finding aids for the record group are limited. Clearly, a good deal is left to guess work and intuition as with research in the State Department files.

S.S. St. Louis Affair

MN (p. 33) cites a specific post file with information concerning the refusal of the Cuban government to accept Jewish refugees in 1939. MNR (pp. 245-246) provides more details about the incident and about the records concerning it in RG 59 and RG 84, noting that the latter includes a good deal of information not in the former. (There is a discrepancy in the Havana Post File citation provided by both MN and MNR: the former lists 1938 and the latter lists 1939.)

Haavara Agreements (Palestinian Emigration)

MNR (p. 245) notes that events surrounding these agreements are documented in both the State Department decimal file and post files. It is unclear from the reference whether the post records contain information not included in the State Department file.

Records Concerning Race Laws in Italy

A microfiche card for RG 84 lists a group of general records (1936-49) for the Rome Embassy and Consulate. Among the subjects is "the enactment of racial laws in Italy in 1938."

RG 85 RECORDS OF THE IMMIGRATION AND NATURALIZATION SERVICE

EXTENT: 2,459 cu ft

LOCATION: scattered, with the largest quantity (about 1,100 ft) in various regions, 1,000 ft DT, and 400 ft ST

General Background

CR (p. 369) says this record group has some material on the German-American Bund and other German or fascist groups that had records seized in the U.S. He also suggests that INS records may be useful for learning about U.S. immigration policy during the Holocaust.

Cindy Fox of the NNFJ staff Downtown said what they may have there relating to these subjects cuts off at 1940; later material is at Suitland and is still in INS custody. An FOIA request to INS is necessary to use the later records. In any case, an index of sorts exists on microfilm publication T458 (31 rolls) that covers both the earlier and later sets of records. Its title is "Subject Index to Correspondence and Case Files of the Immigration and Naturalization Service, 1903-1952." Creative application of key words in searching this index could yield something, according to Fox, and she had some further advice concerning its peculiarities.

RG 107 RECORDS OF THE OFFICE OF THE SECRETARY OF WAR

EXTENT: 2,572 cu ft

LOCATION: all DT

Records Relating to Bombing of Camps and Rail Facilities

MN (pp. 38-39) describes a correspondence file (ASW 400.38 Jews, Jan. 28 - Oct. 5 and Nov. 8-14, 1944) among the records of John J. McCloy, assistant secretary of war. The exchange was between McCloy and John W. Pehle, executive director of the War Refugee Board, who favored bombing the railroad center at Kaschau, railroads leading from Hungary to Poland, and murder facilities in Auschwitz-Birkenau. (McCloy rejected the idea.) A new NARA inventory, now in draft form in 8W downtown, pinpoints this correspondence file in series 323.

Records Relating to Refugees

The JGE File includes a copy of a proposal to Secretary of War Stimson from the War Refugee Board that the U.S. government provide temporary havens for refugees escaping from Hitler. The proposal is dated March 29, 1944, and the source is the "Stimson Safe File."

Records Relating to Atrocities

The JGE File also includes a copy of a letter from Stimson to Oswald F. Schuett confirming stories about atrocities committed against Jews at Auschwitz and Birkenau. The letter is dated December 13, 1944, and the source is the "Stimson Safe File."

Motion Pictures

The Gellert Guide lists two reels from this record group with scenes relating to concentration camps.

RG 111 RECORDS OF THE OFFICE OF THE CHIEF SIGNAL OFFICER

EXTENT: 6,984 cu ft

LOCATION: 90% DT (mostly A-V materials); 10% ST

Still Pictures

A folder in the NARA Still Pictures Branch entitled "Finding Aids (Geographic) Germany" includes a list of Signal Corps photo albums covering these topics: refugees; treasure and loot; war crimes trials and executions; war crimes witnesses; atrocities; concentration camps (various).

Motion Pictures

"Audiovisual Records in the United States Relating to World War II" NARA, 1974) notes that materials on concentration camps and war crimes trials are among the Signal Corps series of 35mm black-and-white outtakes referred to as the Army Depository Copy file. The Gellert Guide lists approximately 110 reels of Signal Corps film that relate wholly or partially to the Holocaust, and particularly to concentration camps. Other subjects include German persecution of Jews during the 1930s; Jews fleeing Austria (1938); former concentration camp prisoners attending Jewish services in the remains of a temple in Cologne; and the Hadamar mass murder trial (1947).

RG 112 RECORDS OF THE OFFICE OF THE SURGEON GENERAL (ARMY)

EXTENT: 5,759 cu ft

LOCATION: 60% ST; 30% DT; 10% various Regions

Possible Use of RG 338 Medical History Files in Connection with RG 112

CH outlines one project task as "research existing finding aids to identify and list all pertinent records of liberator army units, reports on concentration camp conditions, and records of medical units and hospitals." At Suitland is a two-folder file from

RG 338 (U.S. Army Commands, 1942-) that constitutes a finding aid for medical records in that record group. The introduction includes the following explanation: "World War II Theater Headquarters, All Theaters; Principal Overseas Tactical Commands; Subordinate Medical Units Thereof. Records of administration and medical services in World War II and in the immediate postwar period in occupied areas. The records constitute the thousands of record items...borrowed by the Historical Unit, AMEDS, Walter Reed Army Medical Center, in the early 1950s from the archives of hundreds of theaters and other headquarters." Apparently, then, the body of records in RG 338 was used as raw material in preparing historical publications.

There is an index to the boxes of records described above--it makes it possible to find a particular unit or medical entity, but how would one know where to look in the absence of some previous knowledge that a unit had some involvement in camp liberation? In a few instances, certain key words in the box list might prove to be a tipoff, but that would hardly be an adequate entrée into these records.

Furthermore, the relationship between these RG 338 records and records in RG 112 is unclear. Aside from some recent draft series entries at Suitland for records of the Typhus Commission and a few additional series descriptions available on NARA microfiche(see descriptions below), the only finding aids I've discovered for RG 112 are the description in the NARA GUIDE (pp. 250-251) and an old (1964) preliminary inventory (NM-20) that isn't very informative. NM-20 does describe a subject-alphabetic classification scheme for some of the RG 112 records for the period 1938-46; perhaps that could be used to uncover some Holocaust-related material in the correspondence. But I see no evidence in NM-20 of unit records that might yield "liberator" material.

It seems that what is needed before approaching either the RG 112 Surgeon General records or the related historical files in RG 338 is prior knowledge about particular units, probably derived from published histories.

Records of the United States of America Typhus Commission

This commission included members from the Army and Navy, the U.S. Public Health Service, and civilian life. Its purpose was to develop and implement a program for study and control of typhus fever, in the U.S. and abroad, where it threatened members of the armed forces. The commission was established in 1942 and abolished in 1946.

Records of the commission are described on NARA microfiche and in an accession file at Suitland. In addition to series 343E, which contains materials relating to the writing of the official history of the commission (1 ft), there are four other series (343F, 343I, 343V, and 343W), totaling about 6 ft, that are made up in part of Holocaust-related materials. Included are the following: a report of work at the liberated camp at Dachau; photos of liberated concentration camps; an illustrated report of typhus conditions at the liberated camp at Belsen; and other reports of commission activities at Dachau and Belsen (or possibly additional copies of Dachau and Belsen reports noted previously?).

Formerly Security-Classified General Correspondence, 1938-1948

Listed as series 30 on the NARA microfiche card for RG 112, this body of correspondence totals 70 ft and is arranged according to a War Department decimal classification scheme in overlapping chronological groupings: 1938-1944, 1945-1948, and 1943-1948. Included among the subjects are "policies for evacuation and hospitalization of repatriated POWs and civilians in occupied or liberated areas." It sounds like the pertinent material could be drawn out through application of the appropriate key words.

Unit History Cards for Components of the Army Medical Dept., 1940-1949

This is listed as series 240A on the NARA microfiche card for RG 112. The unit cards, prepared for all components of the Army Medical

Department, include dates of movement, locations, and brief historical narratives. The series totals 7 ft. I suspect there is some connection between these cards and the medical history records in RG 338 that are described at the beginning of this summary. In fact, if the historical narratives on the cards are detailed enough, perhaps they can be used as a Holocaust finding aid to the records in RG 338.

Records of the Preventative Medicine Division

HM suggested this as a possible source of Holocaust materials, but he noted no finding aids, and the division shows up neither in NM-20 nor the microfiche file. A search through old accession files might yield descriptions.

RG 131 RECORDS OF THE OFFICE OF ALIEN PROPERTY

EXTENT: 2,724 cu ft

LOCATION: all at ST except for less than 100 ft of A-V material DT and 1 ft at PK

Records of the German-American Bund

MN (pp. 33, 36) describes materials relating to the Bund, an organization that attempted to apply Nazi doctrine and practices in the U.S. Among the records is the Bund library, which MN notes as having "a significant collection of anti-Semitic publications and posters."

A draft inventory has been prepared for these RG 131 materials (which total approximately 61 ft) by Bruce Ashkenas, an archivist in NNFG at Suitland. This finding aid, together with a *Prologue* article (summer 1985) in which Ashkenas describes the Bund records, indicates that the group maintained contact not only with other U.S. nativist organizations (e.g., the KKK and the Silver Shirts), but also with German-American groups that did not necessarily share its racist philosophy. Furthermore, the Bund collected propaganda materials from many anti-Nazi groups. Thus, this is a valuable group of records for researching a wide range of American responses to developments in Germany in the 1930s and early '40s. The preliminary inventory includes a list of folders for the 8-ft series of general Bund records as well as several lists of the organizations and publications mentioned or included in other series.

Still Photos

The NARA GUIDE (p. 356) notes photos of the "personnel and activities of the German-American Bund, 1932-41."

Sound Recordings

The audio card catalog in the NARA Motion Picture, Sound & Video Branch lists and describes recordings of German-American Bund rallies in 1939. Included are references to Jewish banks, a call for elimination of Jewish teachers in American schools, a reference to "race mixing" as a source of human ills, etc.

RG 153 RECORDS OF THE OFFICE OF THE JUDGE ADVOCATE GENERAL (ARMY)

EXTENT: 6,344 cu ft

LOCATION: nearly all at ST; 356 cu ft DT and 4 cu ft PK

Records of the War Crimes Branch

This is a rich source of Holocaust-related materials, and thanks to a recent draft inventory of this portion of RG 153, available as a printout at Suitland and also on a NARA microfiche card, it will be easier to approach than many of the other bodies of Holocaust records. Included are files of the administrative office of the War Crimes Branch; the Treaty Analysis Project File compiled by the State Department in conjunction with the War Crimes Branch; reports of the Safehaven Project; JAG law library materials; files of the U.S. commissioner on the U.N. War Crimes Commission (UNWCC); and captured German documents used as evidence in war crimes trials. Also included are records of the Far East war crimes trials and materials from the Korean War. What follows is a summarized description of the series relating to European war crimes:

131. LETTERS SENT (EXECUTIVE READING FILE). 1948-51. 3 ft.

132. LETTERS RECEIVED. 1944-51. 15 ft.

133. TREATY ANALYSIS PROJECT FILE. 1944-48. 7 ft. Records relating to treaties, League of Nations reports, etc., used in preparing war crimes indictments.

134. SAFEHAVEN REPORTS. 1944-45. 5 ft. Relates both to flight of German capital to neutral countries and to restoration of art looted by the Nazis.(A cross-reference is given to RG 169, Records of the Foreign Economic Administration.)

135. JAG LAW LIBRARY. 1944-49. 47 ft. Materials used by the War Crimes Branch in prosecutions; titles are provided in an inventory appendix.

136. RECORDS OF CONCENTRATION CAMP NATZWEILER. no dates or footage provided. Photocopies and translations of SS documents; inventory of prisoners by type (Jewish, political, homosexual); information about the economic use made of prisoners.

137. REPORTS OF INTERVIEWS WITH AMERICAN SERVICEMEN WHO WERE PRISONERS OF WAR. 1943-47. 65 ft. Mostly relating to former prisoners of the Germans, and submitted on a standard form that asked for description of any atrocities that the servicemen knew about. Unclear from inventory description if this related exclusively to atrocities committed against U.S. servicemen, or included knowledge of German actions against other persons or groups.

138. MILITARY COMMISSION ORDERS. 1945-52. 1 ft. Includes verdicts in war crimes cases, description of charges brought, findings of the Commission, the sentence imposed, and place sentence carried out. Looks like a good summary and finding aid, useful in performing research in other war crimes files in this record group and other collections.

141. EUROPEAN PLACE NAME INDEX. 1944-49. 10 ft. An index to records in series 143, 144, and 145 that will probably also be helpful in approaching the geographic names section of USHMC transcription sheets.

142. European Name Index. 1944-49. 64 ft. Another finding aid to series 143, 144, and 145 that probably has utility for the USHMC project extending beyond the descriptive requirements of this particular group of records.

143. CASE FILES. 1944-49. 551 ft. Records about specific war crimes and groups of crimes: trial records, correspondence, transcripts, clemency petitions, photos of atrocities, clippings. Sounds similar to the case files in RG 338, but also includes Far East cases.

*144. PERSONS AND PLACES CASE FILE (DOSSIER FILE). 1944-49. 551 ft. In two sections: one for Germany, the other for Japan. The description in the draft inventory is unclear because lines of the narrative are missing or out of place, but it sounds as if the materials in this series are closely related to those in series 143: investigative materials, information on atrocities, published materials. Also biographical sketches of alleged war criminals.

* NOTE: The descriptions for series 143 and 144 sound suspiciously similar. The total footage is even identical. I suspect that some glitch in this draft inventory led to the same group of records being described twice.

145. GENERAL AND ADMINISTRATIVE RECORDS. 1944-49. 83 ft. Plans for trials, arrest of war criminals, administration of the War Crimes Branch, studies of enemy governments, intelligence reports, war crimes statistics, etc. Includes both Japanese and European-related materials.

146 through 148. 1943-50. 11 ft total. These series include various records of the Office of the U.S. Commissioner, UNWCC, including a history of the Commission, UNWCC suspect lists, CROWCASS wanted lists and detention lists, and trial reports.

149 through 153. 1944-50. approx. 13 ft total. Various field records of the War Crimes Branch relating to European cases. Included are transcripts of the subcases in the major concentration camps trials (of former guards, etc.); a working list of war crimes cases investigated and brought to trial in Europe (with name of accused, proof available, status and nationality of victim, offense committed, custody status of accused, and date of trial); investigative reports of German atrocities committed in French villages during 1944; a complete list of war crimes trials conducted by the U.S. before military commissions in Europe up to June 10, 1950; and a list of war criminals executed at Landsberg Prison.

Still Pictures

A Holocaust reference service report of the NARA Still Pictures Branch notes that RG 153 includes the personal photo albums of Ilse Koch, wife of the commandant at Buchenwald, showing the Koch's living quarters and a few scenes of the camp.

RG 165 RECORDS OF THE WAR DEPARTMENT GENERAL AND SPECIAL STAFFS

EXTENT: 11,133 cu ft

LOCATION: about 75% DT: 25% ST: 52 ft at PK

General Background

CR (p. 377) refers to material on the Holocaust in this record group's Military Intelligence Division (MID) files and its military attaché reports. Eddie Reese's JGE file includes several copies of Holocaust-related records from other parts of the record group, which suggests that other materials may well be awaiting discovery.

Complicating matters is the fact that this record group is divided between Downtown and Suitland, and the complex interconnections between some of the records in RG 165 and records that are part of RG 319 can lead to confusion. EC is working on an RG 319 inventory that may make the distinctions between the two record groups more clear.

Following is a summary description of some specific Holocaust-related records in RG 165, and of the components of that record group to which they belong. Indication is made in the title lines whether the records are located Downtown or in Suitland.

MID Files and Military Attaché Reports (DT and ST)

CR (p. 377) notes as an example of the value of these records "observations from various European countries before World War II about the growth of anti-Semitism, as well as information from neutral capitals on the Jewish question during the war." He notes that some of these records are duplicated in State Department records.

Eddie Reese says the bulk of G-2 materials from RG 165 are now in Suitland. HM says there is a finding aid for the MID files there called a "Bid" index"; it allows research by country, and then by a numerical designation for a subject.

Attaché reports remain Downtown. The old preliminary inventory for RG 165 (NM-84, 1967) indicates a similar sort of country/numeric arrangement for the main series relating to attachés 73, 77, and 78) as that described by HM for the MID records.

Civil Affairs Division (DT)

The Main Civil Affairs correspondence series listed in NM-84 (#463) covers 1943-July 1949 and totals 181 ft; it is arranged according to the War Dept. decimal classification scheme, which allows access by subject.

Eddie Reese's JGE file includes materials from CAD relating to displaced persons, refugees, etc. EC mentioned the CAD records as worth a look for Holocaust material, and he specifically mentioned series 476, which relates to Col D.H. Frost and the International Refugee Organization (IRO).

Operations and Plans Division (DT)

The JGE file includes OPD materials relating to proposed air action to impede deportation of Hungarian and Slovak Jews, and to creation of the War Refugee Board. Will Mahoney, military reference staff, says OPD records have cross-reference sheets that serve as a good index.

ABC Files (DT)

ABC stands for "American-British Conversations." The JGE file contains materials from this body of records on the following subjects: a suggestion by an official of the War Refugee Board that concentration camps be bombed (1944); a proposal from an emergency committee to save European Jews (1943); and Eisenhower's warning to the Germans concerning persons in forced labor batallions and concentration camps (1944). Will Mahoney says a list of subjects is available to gain access to the records.

Still Pictures

An internal finding aid in the NARA Still Pictures Branch (folder entitled "Concentration Camps") notes that RG 165 is a source of photos relating to camps.

RG 169 RECORDS OF THE FOREIGN ECONOMIC ADMINISTRATION

EXTENT: 3,266 cu ft

LOCATION: all ST, except for a scattering at DT A-V branches and at PK

Records Relating to the Safehaven Project

Series 170 of this record group has three boxes of records relating to the Safehaven Project, an entity of the Foreign Economic Administration that concerned itself with the flight of German capital to neutral countries and with the restoration of art looted by the Nazis to the rightful owners. See RG 153 summary sheet for a description of series 134, which contains a JAG War Crimes body of records relating to the Safehaven Project.

RG 200 NATIONAL ARCHIVES GIFT COLLECTION

EXTENT: 9,214 cu ft

LOCATION: more than half is in A-V branches DT; remainder is scattered among DT, ST, the Eisenhower Library, and various Regions

Motion Pictures

The Gellert Guide lists approximately 48 films, most or all of which are newsreels, which include Holocaust-related footage. Subjects include German persecution of Jews during the 1930s; Jewish protest in Britain and the U.S. in response to German anti-Semitism in the '30s; anti-Jewish pogroms in Polish ghettos before the war; destuction of the Warsaw Ghetto; Jewish refugees before, during, and after the war; the Eichmann trial (1961) and his subsequent denial of clemency (1962).

Sound Recordings

"Audiovisual Records in the United States Relating to World War II' (NARA, 1974) notes that this record group includes recordings of highlights of the Nuremberg trials and accounts of the Nuremberg executions.

RG 208 RECORDS OF THE OFFICE OF WAR INFORMATION

EXTENT: 3,595 cu ft

LOCATION: all at ST except for less than 900 ft of A-V material DT

General Background

CR (p. 370) refers to information in this record group relating to the Holocaust: "These studies detail Nazi atrocities in Europe during World War II and have papers and articles on German war criminals.... In addition, this collection has a number of intelligence reports and related materials on the Holocaust that are extremely valuable to researchers, particularly those interested in Allied information and attitudes on this question during World War II."

MN (p. 38) also cites the records in this collection, and draws particular attention to series 367 in PI-56 (changed to series 355 in the revision, NC-48) that contains a report on the persecution of Jews in Nazi-occupied Poland.

A scan of the two preliminary inventories for this record group failed to pinpoint very much of this valuable material, but a shelf list (with big gaps) is available at Suitland, and it reveals a number of titles to reports and/or files that are certainly of interest. Here is a sampling: German Slave Labor and Depopulation (May 1945); Hitler's Ten-Year War on the Jews (Sept. 1943); The Polish Jews Behind the Nazi Ghetto Walls (1942); 500,000 Jews at the Warsaw Ghetto (1942); Jewish Persecution in Denmark (1943); Lidice (n.d.); How Should the Axis War Criminals Be Tried? (town meeting, 1944); and Hungary-German Occupation. There are also some more general titles in the box list that could indicate some Holocaust-related contents such as "Intelligence Notes-Germany (Military through War Prisoners)."

Still Pictures

A Holocaust reference service report from the NARA Still Pictures Branch notes that RG 208 has many photos on Holocaust-related topics, including anti-Semitism during the rise of Nazism in Germany; German occupation of Europe; Nazi atrocities; concentration camps; refugees after liberation of the camps; and war crimes trials. Also included is a picture story on the camps entitled "Lest We Forget."

Motion Pictures

The Gellert Guide lists approximately 8 reels with scenes relating to concentration camps.

RG 210 RECORDS OF THE WAR RELOCATION AUTHORITY

EXTENT: 2,991 cu ft

LOCATION: 83% DT; 17% ST

Records of the Fort Ontario Emergency Refugee Shelter, Oswego, N.Y.

MN (p. 36), MNR (p. 242), and CR (p. 369) all cite these records. MN notes that the shelter was "a temporary haven for refugees entering the United States outside the immigration quota." He further notes that the shelter had about 1,000 residents after it opened in 1944, including a number of Hungarian Jews; "Individual case records make up a part of the documentation, and some access restrictions are imposed to protect the right to privacy of the refugees."

Research at the series level will be facilitated by an excellent preliminary inventory to this record group (PI-77). It indicates that series 1, 4, 17, 18, 19, 27, 55, and 56 are all wholly or partially made up of records that document the operations, policies. and/or residents of the shelter; the Holocaust-related materials in those series total (very approximately) 23 ft. Other series of possible interest include 6, 16, 29, and 30. Series 63 documents the origins of the idea of a temporary haven for European displaced persons, the establishment of the Oswego shelter, public reaction to the program, etc.; that series totals less than 1 ft.

Appendix II of PI-77 lists "Significant Documents, Reports, and Studies" relating to the work of the War Relocation Authority, but fails to note which series most of them are a part of. At least eight of these reports relate to the Oswego shelter.

Still Pictures of the Fort Ontario Shelter

The NARA GUIDE (p. 691) notes that photographs of the shelter are in this record group.

RG 218 RECORDS OF THE UNITED STATES JOINT CHIEFS OF STAFF

EXTENT: 1,449 cu ft

LOCATION: all DT

General Background

Both MN and MNR refer to Holocaust subjects in this record group, and a NARA accession file indicates that still more items of interest can be found in the records of the Combined Civil Affairs Committee. Aside from that accession file, the only finding aid for this record group that I've seen is a preliminary inventory (NM-41) that was published in 1964, contains only seven series, and preceded NARA acquisition of nearly all of the records now in its custody.

Proposal to Stop the Holocaust by Threatening Poison Gas Attacks

MN (p. 39) describes how, in 1944, the Hebrew Committee of National Liberation approached the Joint Chiefs with an idea: the U.S. should warn Germany that unless the SS stopped using poison gas to kill Jews, gas would be used in aerial attacks on German cities. JCS rejected the idea on the grounds that the warning would be ineffective in saving Jews. The reference is to Correspondence File CCs 385.3 (9-16-44), JCS 1072; there is a copy in the JGE file in the possession of Eddie Reese, 13W Downtown.

The Controversy Concerning Bombing the Camps

MNR (p. 249) mentions RG 218 as one of several record groups in which material can be found concerning the controversy surrounding the question of whether the U.S. should bomb the extermination facilities; he cites no specific reference. (See reference to the McCloy-Pehle exchange in the summary sheet for RG 107.)

Combined Civil Affairs Committee Records

CCAC, which was set up in 1943, was concerned with recommending civil affairs policies for occupied areas, and with coordinating the interests of military and civilian agencies in such operations. Its U.S. members included representatives of the Army, Navy, and State Department. Committee records include one series entitled SECURITY CLASSIFIED GENERAL CORRESPONDENCE (1942-49, 46 ft) and another series entitled SECURITY CLASSIFIED GEOGRAPHIC CORRESPONDENCE (1942-49, 20 ft). Subjects noted in the accession file descriptions for these series include restoration of works of art to their rightful owners; war crimes policies and the machinery for handling war crimes; aid for displaced persons and refugees including repatriation and immigration; and denazification in Germany and Austria. Three other series, described in the same accessio file serve as finding aids to these records, which are also accessible through the War Department decimal classification scheme. EC suggested decimal classifications under 383 and 386 as worth a look.

RG 220 RECORDS OF TEMPORARY COMMITTEES, COMMISSIONS, AND BOARDS

EXTENT: 4,019 cu ft (War Refugee Board portion: 43 cu ft)

LOCATION: FDR Library (War Refugee Board portion)

Records of the War Refugee Board -- General Background

CR (p. 369) notes that WRB established refugee camps in North Africa and provided the idea for a similar center in Fort Ontario, N.Y. (see summary sheet for RG 210). CR also notes that the Board "belatedly undertook projects to save hundreds of thousands of Jewish concentration camp inmates from starvation." CR thinks the special value of WRB records to Holocaust scholars lies in the fact that they include information gathered from numerous relief agencies that worked to rescue Jews during WW II. He notes "material on conditions in various German concentration camps as well as lists of death camp inmates, anti-Semitic policies in Hungary, and concentration camps in Poland."

MNR (pp. 240-242, 246, 248) gives excellent descriptions of Holocaust materials in the WRB records, and his references will be helpful in pinpointing particular series in the records. He also notes that the FDR Library has a "very useful" 61-page shelf list of the WRB records.

The preliminary inventory of the WRB records (PI- 43) lists only 15 series, and all or most of them are probably relevant to the purposes of the Holocaust project.

The Controversy Concerning Possible Bombing of the Camps

MNR (p. 249) indicates that some material concerning this controversy is included in the WRB records. If so, it's probably in correspondence between John W. Pehle, executive director of the WRB, and John J. McCloy, assistant secretary of war. It's likely that the same correspondence is wholly or partially duplicated in the records of the secretary of war (see summary sheet for RG 107).

RG 226 RECORDS OF THE OFFICE OF STRATEGIC SERVICES

EXTENT: 1,872 cu ft (figure is from 1985: Archives is currently adding 3,000 additional feet of accessions)

LOCATION: all DT except for 17 ft at PK

General Background

MN (p. 36) refers to "a large number of documents pertaining to the Holocaust" in the OSS records, and the National Archives is in the process of adding an additional 3,000 feet, consisting of Operational and Support records, that promises to yield even more Holocaust-related material.

The chief published finding aid for RG 226 is an outdated preliminary inventory (NM-54), published in 1965. However, the archivist who is working with the newly accessioned materials, Larry McDonald, takes a strong personal interest in the OSS files and is knowledgeable and accommodating. He plans to describe the new accessions down to the folder level. (I'm told that John Taylor and Tim Nenninger are also OSS specialists.)

Following are brief descriptions of the Holocaust-related OSS records noted by CR, MN, MNR, and Larry McDonald.

Records of the Research and Analysis Branch

CR (p. 377) refers to studies and reports of the R&A Branch as an "untapped source" on the Holocaust. Series 16 of the OSS records (SECURITY-CLASSIFIED INTELLIGENCE REPORTS, "REGULAR SERIES," 1941-45, 503 ft) is accessible through use of a card file that includes such subject designations as the following: 6.16 Jews-zionism, immigration, settlements; 6.20 Rescue & Protection of Jewish War Refugees; and 7.3 Extradition of War Criminals. Other, smaller series of R&A reports are also listed in NM-54, together with finding aids.

Intelligence Information From "Hyphenated Nationality Groups"

A small series in NM-54 (#86) relates to information gained by the OSS through contacts with "hypenated nationality groups" in the U.S. Larry McDonald says more of this type of information is included in series 100 of the new accessions (relating to the Foreign Nationalities Branch). The series has 5 boxes on Jews, and McDonald thinks that mention of anti-Semitism may also occur in OSS contacts with members of other nationality groups.

"Blood for Goods" Records

MN (p. 36 and MNR (p. 248) describe a deal struck between Nazis and wealthy Hungarian Jewish families: the latter could surrender their property in return for their lives. Both MN and MNR cites specific files (OSS 104280, 107062, 109833, 167062, and 169833), but is unclear in which series they can be found. McDonald thinks they are probably among the R&A reports.

Confirmation of Intelligence Concerning Auschwitz

MN (pp. 36-37) describes how "many strands of information culminated in absolute certainty" when two Auschwitz escapees provided eyewitness accounts of conditions at Auschwitz. This occurred in the spring of 1944. The reference is to OSS Field Memorandum 257 (FR-425), May 10, 1945 (probably should be 1944). Again, it is unclear which series that indicates.

Reports on Nazi Atrocities

MN (p. 36) refers to reports on Nazi atrocities prepared for the Nuremberg trials and to "numerous interrogation reports that bear on the Holocaust...largely based on transcripts of the intensive questioning of German prisoners about their knowledge of atrocities." It is unclear which series is (or are) referred to, and whether the two references even relate to the same operation. One series in NM-54 seems a likely candidate: 81. SECURITY-CLASSIFIED OSS MISSION TO GERMANY, 1944-45. 1 ft. In any case, McDonald says the General Counsel was the OSS office that gathered background information for war crimes trials, and its records are scattered among several series in the newly accessioned records, including 144 and 146.

Operational and Support Records

McDonald pointed out some examples of files in the newly accessioned records that look promising for Holocaust scholarship, but also noted a Catch-22: the CIA is holding on to six indexes to the records, because the presence of personal names and other sensitive information would make them too difficult to declassify along with the records to which they relate. This means that millions of little finding aids will be out of reach. Nevertheless the descriptive work that McDonald is doing, and the knowledge that he is gaining in the process, should be a real asset by the time the Holocaust project is ready to deal with the OSS records.

Motion Pictures

The Gellert Guide lists one RG 226 film with scenes relating to concentration camps.

RG 233 RECORDS OF THE UNITED STATES HOUSE OF REPRESENTATIVES

EXTENT: 23,175 cu ft

LOCATION: all DT except for 2 ft at PK

General Background

CR (pp. 368-369) says this record group has "a number of Congressional files that touch on the Holocaust...." He specifically notes the following:

1. Records of a 1933-34 House investigation of Nazi propaganda and and Jewish persecution in Europe. "The hearings are bound in seventeen volumes with an appendix on the German-American Bund."*

*Investigation of Anti-Semitism in the United States During the Thirties

The records mentioned by CR that relate to a 1933-34 House investigation of Nazi propaganda are apparently connected in some way to the records described in an unpublished preliminary inventory available in the Legislative Reference Branch (NNLR) Downtown. It is entitled "Preliminary Inventory of the Special House Committee on Un-American Activities Authorized to Investigate Nazi Propaganda and Certain Other Propaganda Activities Under the Authority of H. Res. 198, 73rd Congress. The records described in this finding aid total about 20 ft, and most date from 1933 to 1936. The concern the activities of a committee that was a forerunner of HUAC and wished to determine how destructive propaganda was coming into the United States, what domestic groups were assisting in its propagation, and how the problem could be countered. Among the groups investigated were Friends of the New Germany (later known as the German-American Bund) and the Silver Shirts. The records include investigative reports, subpoenas, and publications examined by the Committee for possible subversive content. Of special interest: the records include files of William Dudley Pelley, leader of the Silver Shirts.

2. Records of the House Committee on Foreign Affairs (1933-34) on the status of Jews in Germany. (CR notes that "this committee received similar information during the 74th Congress in 1934-35.")

3. House Foreign Affairs Committee hearings in 1943 on the question of rescuing Jews in Nazi Europe. CR says, "The information from these reports is quite valuable because it deals with Jewish relief efforts during World War II."

4. "Fifteen years later [1958?] the House again touched on the Holocaust in its hearings for a proposal to grant $1 million in relief aid to Nazi victims."

Finding Aids and Research Restrictions

David Kepley, branch chief for NNLR, noted that the House of Representatives has imposed a ban on research of House Records less than 40 years old; thus, the World War II era is effectively out of bounds except insofar as it is documented in such open published sources as the Congressional Record.

For the records that are open for research, finding aids include a detailed 2-volume preliminary inventory (PI-113) and a Special List (#35) entitled "Printed Hearings of the House of Representatives Found Among Its Committee Records in the National Archives of the United States, 1824-1958." Other finding aids mentioned by Kepley include the following:

Congressional Serial Set. Includes reports, data, and other types of information. An index published by the Congressional Information Service (CIS) is available in the NARA library.

CIS Index to Congressional Hearings. The NARA library has the cited documents.

CIS Index to Congressional Committee Prints. Kepley says this is probably not at NARA; it might be necessary to go CIS or the Library of Congress.

The above finding aids (and the Congressional Record) can also be used to search for possible Holocaust-related materials in records of the U.S. Senate (RG 46).

RG 238 NATIONAL ARCHIVES COLLECTION OF WORLD WAR II WAR CRIMES RECORDS

General Background--Finding Aids

The portions of this record group relating to European war crimes proceedings are described in three dated NARA preliminary inventories:

PI-21	"Preliminary Inventory of Records of the United States Counsel for the Prosecution of Axis Criminality" (1949)
NM-66	Supplement to above named publication (1966)
NM-70	"Preliminary Inventory of the Textual Records of the United States Military Tribunals, Nuernberg" (1966)

CR (p. 372). MN (pp. 27-28), and MNR (p. 238) describe other published collections of, and guides to, the trial records. Two NARA Special Lists (38 and 42) are detailed guides to two of the proceedings of the U.S. Military Tribunals at Nuremberg: U.S. v. Erhard Milch and U.S. v. Otto Ohlendorf et al.

The 1986 NARA microfilm catalog (p. 69) lists 28 microfilm publications of records from RG 238.

Still Pictures

A Holocaust reference service report from the NARA Still Pictures Branch notes that RG 238 includes photos showing defendants, witnesses, courtroom scenes, and evidence from the major and minor war crimes trials. The evidence includes a series of photos taken by the

Germans at the Warsaw Ghetto and photos of German atrocities in concentration camps. The NARA GUIDE (p. 702) mentions that photos in this record group relating to war crimes trials (including both trials in Europe and the Far East) number in the thousands.

Motion Pictures

The Gellert Guide lists approximately one dozen reels that relate wholly or partially to the Holocaust. Subjects include concentration camps, German persecution of Jews in the 1930s, and Jews fleeing Austria in 1938.

Sound Recordings

The NARA GUIDE (p. 702) notes that this record group includes recordings of the entire proceedings of the IMT. The audio card catalog in the NARA Motion Picture, Sound & Video Branch provides a summary description of what is included in different portions of these recordings.

RG 239 RECORDS OF THE AMERICAN COMMISSION FOR THE PROTECTION AND SALVAGE OF ARTISTIC AND HISTORIC MONUMENTS IN WAR AREAS

EXTENT: 61 cu ft

LOCATION: all DT except 2 cu ft at PK

General Background

Also known as the Roberts Commission, this agency operated from 1943 to 1946 and cooperated with the U.S. Army in protecting cultural items. It gathered information about war damage to culturally important items, compiled data on cultural properties acquired by the Axis, and encouraged restitution. HM suggested records of the Commission as worth a look for Holocaust-related materials.

An inventory of the records is available Downtown in NNFG, and Dane Hartgrove, an NNFD staffer who was one of its compilers, agrees that Holocaust-related information, such as mention of cultural items confiscated by the Nazis from Jewish owners, may indeed be in the records. However, he recalls nothing specific. A scan of the inventory also revealed nothing specific, but the following series look promising:

MISCELLANEOUS RECORDS. 1944-45. 5 in. Inclues material on Commission cooperation with the Judge Advocate General's War Crimes Branch, prisoner of war interrogations, and the Safehaven Project.

GUIDE TO THE GOERING PAPERS. 1945. ¼ in. A guide to references to art objects in the Goering Papers.

MINUTES OF MEETINGS. 1943-46. 5 in. Includes material on the "definition of looted art objects" and "postwar restitution problems."

GENERAL RECORDS. 3 ft. Among the subjects is "enemy methods of looting works of art in enemy countries."

RECORDS RELATING TO RESTITUTION OF CULTURAL MATERIALS. 1943-46. 1 ft.

CARD FILE ON ART LOOTING SUSPECTS. 1943-46. 4 ft. The cards typically include both biographical information on the suspect and a brief synopsis of why suspect was the subject of investigation.

DETAILED INTERROGATION REPORTS. 1945-46. 5 in. Reports deal with the activities of the various agents employed by Hitler, Goering, and Rosenberg to acquire artworks for them in Axis-occupied countries.

Some series in the inventory relate to the Commission's liaison with the O.S.S. Art Looting Investigation Unit.

RG 242 NATIONAL ARCHIVES COLLECTION OF FOREIGN RECORDS SEIZED, 1941-

EXTENT: 6,717 cu ft

LOCATION: about 65% DT; 35% ST; plus 152 ft at PK

General Background and Finding Aids

CR (pp. 373-375), MN (p. 25), MNG (pp. 181-182, 186-187), and MNR (pp. 239, 243-245) provide a number of examples that illustrate the wide variety of Holocaust-related subjects addressed in the various components of RG 242; they also provide citations to some specific files and references to finding aids.

Captured German and Related Records: A National Archives Conference, edited by Robert Wolfe (NARA, 1974) is useful for its background on how the records came to be assembled and the uses of the records to historians and others. Appendix B of the book lists the microfilm publications of RG 242 records as of 1974 and also provides references to finding aids. An up-to-date listing of microfilm publications is available in the 1986 NARA microfilm catalog (pp. 72-74).

Summary descriptions of the various sub-groups of records in RG 242 are in the NARA GUIDE (pp. 727-737).

Still Pictures

A Holocaust reference service report from the NARA Still Pictures Branch notes that RG 242 includes the Heinrich Hoffman collection of over 250,000 photos that document Nazi Party activities for the period 1923-44. Some of these relate to anti-Semitic propaganda, demonstrations, and violence in Germany. Additional photos, taken by the Wermacht and Waffen-SS propaganda units, show forced labor, some of which involves Jews, in Nazi-occupied Europe. An internal Still Pictures Branch finding aid (folder entitled "Concentration Camps") lists RG 242 as a source of camp-related photos; it is unclear whether the reference is to the "forced labor" photos noted above or to additional items.

Motion Pictures

The Gellert Guide lists three German propaganda films with scenes relating to Jews. Subjects include Jews in Poland wearing the Star of David, prominent Jews in the U.S., and Jewish economic influence.

Sound Recordings

A published NARA finding aid entitled "Captured German Sound Recordings" lists selected recordings of speeches by such German leaders as Bormann, Goebbels, Goering, Himmler, Hitler, and Rosenberg, but neither the publication nor the audio card and book indexes in the NARA Motion Picture, Sound & Video Branch adequately describe the contents of the speeches to determine Holocaust-related content. Another NARA publication, entitled "Sound Recordings: Voices of World War II," refers to a recording of an excerpt of a speech by Himmler (Oct. 4, 1943) in which he called for the elimination of European Jews; this recording is part of RG 242.

RG 243 RECORDS OF THE UNITED STATES STRATEGIC BOMBING SURVEY

EXTENT: 977 cu ft

LOCATION: all DT except 3 ft at PK

General Background

No Holocaust-related materials are described in the inventory to this record group--and John Mendelsohn was co-author of the inventory. However, Robin Cookson, an archivist who is quite familiar with the records from past experience performing reference service for them, says that with prior knowledge of a particular industry that employed slave labor, it is sometimes possible to find related material in the files (not the final reports) pertaining to that industry. Leroy Jackson, a longtime reference person in Modern Military agrees, but notes that a 1942 file for Oswiecim, Poland (III.a.2154 in the USBUS index in 13W downtown) does have some Auschwitz-related material.

RG 260 RECORDS OF UNITED STATES OCCUPATION HEADQUARTERS, WORLD WAR II

EXTENT: 11,044 cu ft

LOCATION: all at ST except for 456 ft in NNSP DT

General Background

CH provides an estimate of 6,000 hours for research and preservation tasks associated with the OMGUS records in RG 260. A substantial amount of time is also estimated for similar tasks associated with RG 260 records of the occupation of Austria. These estimates, together with the descriptions of the records provided by CH, MN, MNG, and MNR (summarized below, make clear the importance of the Holocaust-related documentation in this record group--as well as its bulk.

The good news is that a new NARA inventory of RG 260 will be available, along with the 125,000 OMGUS data sheets, to aid Holocaust Project research. The bad news is that the inventory is currently in draft form, divided into chunks of pages that occupy approximately 70 folders in the 8W office of the Military Archives Division Downtown. We can hope the inventory will be available in reasonable polished form by the time the project is ready to focus on RG 260.

Following are summary descriptions of the types of records in RG 260 that are noted by CR, MN, MNG, and MNR. Note MN's advice concerning the OMGUS portion of the records: "By concentrating on the records of the Civil Administration Division, the Finance Advisor, and the Ardelia Hall Collection, a researcher can locate the bulk of the Holocaust documents...."

Records Relating to War Crimes Trials

CR (p. 376) notes records of the Office of the Chief Counsel for War Crimes; the Secretariat of the IMT and the U.S. Military Tribunals; OMGUS; and "other military organizations responsible for the prosecution of German war criminals."

Records Relating to Displaced Persons

MN (p. 28) refers to records of the OMGUS Civil Administration Division that deal with the treatment of Jews in DP camps, indicate attitudes of the Jews toward Palestinian emigration, and document the aversion of the Jews to working in the German economy. MN also notes that the records relate to the life of Jews in the DP camps and to repatriation; various statistical tabulations, such as lists of Jewish DP camps, are included. MNG (p. 187) mentions that the OMGUS records include some name lists of persons who lived in the DP camps, but does not specify whether these lists may be found in Civil Administration Division files.

Records Relating to Valuables Confiscated From Concentration Camp Inmates

Both MN (p. 28) and MNR (p. 239) describe OMGUS records concerning disposition of the gold, silver, and other valuables confiscated by the SS from inmates at concentration camps. MN's footnote is to the Melmer Files, Foreign Exchange Deposit Group, OMGUS Financial Advisor. MNR's footnote is to Official Pawnbroker tickets, Records of the Finance Division, OMGUS.

Records Relating to Looted Cultural Objects and Other Property

MN (p. 28) describes the Ardelia Hall Collection in the OMGUS records, which documents government efforts to return Jewish property, including art and religious objects as well as books, to their rightful owners. Included in this collection are records of the Offenbach Depot, which collected and returned items taken by the Nazis from Jewish communities or individuals. The Offenbach records also pertain to the trusteeship arrangement that was set up for the items whose owners had died in the Holocaust. MNG (p. 187) notes that OMGUS records include lists of people, many of them Jewish, who had art objects or other property looted by the Germans. CR (p. 377) mentions OMGUS records pertaining to restitution claims for Jewish property in Germany.

Lists of Victims of Fascism

MNG (p. 187) notes that OMGUS records include such lists for several localities in Germany.

Records of the U.S. Element, Allied Commission for Austria

The NARA GUIDE (p. 198) states that "the records relate to all military government activities and concern generally the same subjects as the OMGUS records."

RG 262 RECORDS OF THE FOREIGN BROADCAST INTELLIGENCE SERVICE

EXTENT: 727 cu ft

LOCATION: 70% at ST; 30% (all of which is A-V material) DT

Anti-Semitic Speeches by German Leaders

MN (p. 38) refers to copies in this record group, "often in both English and German, of monitored anti-Semitic speeches by Hitler and Goebbels as well as speeches by Goering and Himmler during the period 1942 to 1944." Speeches are arranged by city and date, and David Pfeiffer, an archivist in NNFG at Suitland, told me that most of the transcripts are in one series that is 355 ft in length. There is a "list of special releases" for series 22 (included in the preliminary inventory to this record group (PI-115) as Appendix III, that could help to pinpoint some of the speeches, but for the most part, it looks as if finding the relevant speeches would take some hard plowing through non-relevant material.

Sound Recordings

The NARA GUIDE (p. 623) notes that RG 262 includes recordings of foreign broadcasts in English, German, Japanese, and other languages, and that among the recordings are speeches by Hitler, Goebbels, von Ribbentrop, Mussolini, and others. Unfortunately, the audio card and book catalogs in the NARA Motion Picture, Sound & Video Branch do not describe the contents of these speeches.

RG 306 RECORDS OF THE UNITED STATES INFORMATION AGENCY

EXTENT: 11,668 cu ft

LOCATION: nearly all DT, with 44 ft in NNFD and the remainder in various A-V branches; 5 ft at the Kennedy Library

Postwar German Attitudes

The following series of records, located Downtown, is described on a microfiche card for this record group:

RESEARCH REPORTS ON GERMAN PUBLIC OPINION. 1949-59.

The series description indicates a wide range of topics, including "attitudes of groups, such as students and youth, toward the Nazi past." An appendix lists the reports, and among the topics that I noted were the status of neo-Nazism in West Germany (1952) and the reaction of a Munich audience to a film on "the races of mankind" (1950). (My notes show 5 inches for this series, but the location code says "Box 1-11"; it probably should be 5 feet.)

Still Pictures

MN (p. 39) refers to this record group's "unique collection of Holocaust stills...from the New York Times Paris Bureau." He further notes that "these photographs from many places in Europe from 1933 into the postwar era show ghettos, refugees, anti-Semitic propaganda, and concentration camps." Six NARA microfilm publications (M1149 through M1155) are devoted to Paris Bureau photographs; they total 167 rolls and cover varying periods from 1900 to 1950. Unfortunately, the pamphlets for these publications proved to be unavailable from the NARA publications office, and the microfilm itself has not yet found its way into the Downtown microfilm research room.

Motion Pictures

The Gellert Guide lists one RG 306 film that has documentary footage of the destruction of the Warsaw Ghetto.

RG 319 RECORDS OF THE ARMY STAFF

EXTENT: 18,372 cu ft

LOCATION: 50% DT; 50% ST

General Background

As one of the Holocaust project tasks, CH lists the following for the military intelligence records in RG 319: "Research finding aids (P-file and Intelligence Division document cards) to identify and list all unclassified Holocaust records; declassify if possible."

CR (p. 377) says that the intelligence files in RG 319 have "a number of documents on the Jewish situation in Europe" between 1933 and 1945, and he cites some specific records in the ID files (series 85).

CR does not address the difficulties inherent in researching this record group. Part of it is stored Downtown and part at Suitland. Its finding aids consist of a 24-year-old preliminary inventory

(NM-3) that lists only series titles and dates, and a potpourri of microfiche and computer printout series descriptions, box lists with varying amounts of content detail, and accession files. An added problem is that some of the most important records remain classified.

As best I have been able to determine in the context of a brief records survey, the following intelligence records and finding aids in RG 319 appear the most promising as sources of Holocaust-related materials. I have not examined all of the accession files, and other things of interest may be described there. Other series listed in NM-3, whose contents do not reveal themselves adequately from their titles, may also be of interest. Even more than is the case with many of the other record groups, fruitful research in RG 319 will be dependent upon frequent consultation with knowledgeable Archives staffers.

Security-Classified Intelligence and Investigative Dossiers

These records are a recent acquisition Downtown that EC thought would be of interest. They consist of case files accumulated by Army investigative and intelligence activities, totaling 21 feet and dating from 1939 to 1976. Most of the material in the files relates to World War II and German and Nazi activities, including war crimes. The arrangement is by subject, and a list of subjects precedes the records, which are listed on an RG 319 microfiche card as an unnumbered series following series 84F.

"Project Decimal" and "Decimal" Files

These intelligence records at Suitland, dating from 1941 to 1962, cover a range of subjects. The records through 1952, consisting of about 4,000 boxes have been declassified. Although they are accessible through the War Department decimal classification scheme, HM points out that an accompanying cross-reference index is still classified through "Secret," making this body of records difficult for a person without a security clearance to use.

Cable Files

These records, also at Suitland, date from 1942 to 1963 and are declassified through part of 1951. The portion dated from 1942 to 1945is described in a printout series description as messages from various military components, teletype and telephone messages, and telegrams relating to the collection, evaluation, and dissemination of military intelligence. The files for this time period are stored in 731 boxes, which have a 120-page content list down to the folder level. The later files (1946-63) also have a long printout contents list with folder titles.

P-Files

HM mentioned publications files as early as 1944 and as late as 1962, but the P-file box lists I saw seemed to generally span 1946-51. In any case, they are declassified through (or to?) '51, which suits our purposes. The P-file is the G-2 library collection of reports, publications, newspapers, etc., collected from a wide range of sources and relating to practically anything of interest to G-2. A box list at Suitland is distributed among several folders and binders; in all cases, its arrangement is alphabetical by subject, but the degree of descriptive detail, and the logic of the filing scheme, varies widely among these various box list segments. Because the list is divided into several numerical series, it is difficult to determine the total number of boxes, but I roughly estimated 6,000. A scan of the lists indicated that most of the materials are not Holocaust-related, but enough are to justify reading through the thousands of listings with care. In most cases, the list wording should be sufficient to indicate if examination of the records is warranted.

Here are some examples of subjects appearing in the P-file box lists:

interrogation summary-war crimes; Nazi party membership (by country); wanted list for Austria-U.S. Forces in Austria and Central Registry of War Criminals; ALSOS Mission-medical experiments on human subjects.

Numerical Series of Intelligence Documents "ID File")

This series, dating from 1944 to 1955 and totaling about 8,000 ft, is described in a Suitland accession document as an "encyclopedic" collection of records from a wide range of sources, including intelligence agents, military attaches, foreign governments, and agencies of the U.S. government relating to an eclectic array of G-2 interests, including war crimes, violations of human rights, ethnic groups, and political repression. HM assures me that there is material in these records that is of interest for Holocaust scholarship, but the problem is in getting to it. The document cards needed to gain access to the records are still classified.

The Paperclip Project

A Suitland accession document (folder heading NC 3-319-79 1) includes an appendix listing historical studies relating to G-2 components. One is entitled "The Paperclip Project: Its Concept, Implementation, and Control. Nov. 14, 1949."

Other Intelligence Records of Possible Interest

The RG 319 preliminary inventory (NM-3) lists a number of other series under G-2. These appear to be of special interest:

54. RECORDS OF THE "ALSOS" MISSION TO INVESTIGATE ENEMY SCIENTIFIC PROGRESS. 1944-45. 2 ft.

73. REPORTS OF INTERROGATIONS OF ENEMY PRISONERS OF WAR ("MIS-Y FILES"). 1943-45. 177 ft. (Indexes are in series 72.)

77. RECORDS CONTAINING INTELLIGENCE DATA RELATING TO EASTERN EUROPEAN COUNTRIES. 1935-44. 2 ft.

79. "WHO'S WHO" DATA CARDS ON GERMAN ARMY, LUFTWAFFE, AND SS OFFICERS. ca 1939-45. 17 ft.

83. ALPHABETICAL SERIES OF INTELLIGENCE DOCUMENTS ("REGIONAL FILE"). 1939-44. 1,144 ft.

NOTE: I have not determined the current location of these series.

RG 330 RECORDS OF THE OFFICE OF THE SECRETARY OF DEFENSE

EXTENT: 3,319 cu ft

LOCATION: 65% DT; 35% ST

Operation Paperclip

Eddie Reese (longtime military reference archivist, downtown) mentioned the records of this operation (originally called "Overcast"), which include information about German scientists who eventually were "acquired" by the United States despite questionable pasts. One of the questionable involvements was with wartime projects utilizing slave labor. Reese estimates that the Paperclip records, which are stored Downtown, consist of more than 100 boxes of dossiers and 30-40 boxes of administrative records. He could suggest no finding aids, but old accession files should yield some information. He noted that some of the material is still classified.

RG 331 RECORDS OF ALLIED OPERATIONAL AND OCCUPATION HEADQUARTERS, WORLD WAR II

EXTENT: 17,951 cu ft

LOCATION: about 90% at ST, 10% DT; 21 ft at PK

General Background--Finding Aids

One of the project tasks listed in CH is to "research from finding aids (shipping lists, inventories, and other) to identify and list Holocaust records" in the Italian occupation records of RG 331.

The Allied Military Government/Allied Commission (Italy) records are described in a 1963 preliminary inventory (NM-13) as part of the records of Allied Force Headquarters (AFHQ). Perhaps "described" is to strong a word: this is only a title inventory. I did note three series (630-632) relating to refugees and one series with a title indicating "atrocities" as one of its several subjects.

Two RG 331 microfiche cards contain more recent AFHQ records descriptions, with some additional detail, but either this is very much a draft inventory or the NARA computer was dreadfully haywire when these series were entered: series numbering skips around and repeats in ways that make no sense. In any case, nothing in the section of records for Italy stands out as Holocaust-related, although Idid note one series (#88) for AFHQ, General Staff Sections, G-5 that related to "war crimes, atrocities, petitions for pardon and conditional liberty, and other legal matters" (1947, 3 rolls of microfilm).

Additional finding aids do exist for the Italian records. Microfilm Publication M1190 (5 rolls) reproduces 18 volumes of subject file headings for the records of the Allied Control Commission (Italy), 1943-47. A volume at Suitland entitled Analytical Guide to the Combined British-American Records of the Mediterranean Theater of Operations in World War II, by Kenneth W. Munden (1948) was issued by the Allied Force Records Administration and describes AFHQ records in some detail. For example, in the section of the volume on Allied Military Government/Allied Commission (Italy) there is a reference to records concerning a camp outside Palermo for Yugoslavs and Jews that was taken over in October 1943 by a Displaced Persons and Repatriation Subcommission. The Analytical Guide can be used in connection with a detailed 3-volume catalog (also at Suitland) of microfilmed records.

My impression is that use of M1190, the Analytical Guide, and the 3-volume catalog would yield some pertinent materials, but the process would tortuous and time-consuming.

Still Pictures

A Holocaust reference service report from the NARA Still Pictures Branch notes that RG 331 is a source of photos relating to concentration camps, forced labor camps, and factories. Copies of photos from this and other record groups are included in a folder in the Still Pictures Branch research room entitled "Atrocities."

G 332 RECORDS OF UNITED STATES THEATERS OF WAR, WORLD WAR II

EXTENT: 529 cu ft

LOCATION: all at ST, except 4 ft at PK

General Background

This record group was added to my list at the suggestion of HM, who thought it likely to contain Holocaust-related material. Draft inventory descriptions for the record group are available at Suitland--in about one dozen folders! However, this bulk is deceptive, since the descriptions often contain little information. There are a number of series relating to interrogations of POWs and others, and a few additional series in the record group appear to be of interest, but in most cases it is impossible to confirm the presence of Holocaust-related materials from these series descriptions alone.

Here is a brief description of series in RG 332 that may be worth a look:

Records of the Administrative Branch. One series listed here (GENERAL RECORDS. 1943-46. 2 in.) that includes material on repatriation, displaced persons, and war crimes.

Records of the Military Intelligence Service (MIS). Three series, totaling albout 1 ft, contain reports, correspondence, and historical materials (1943-45) relating to field interrogations. Four other series (1944-45) relate to the work of "specialist interrogation teams." (What did they "specialize" in?)

Records of the Prisoner of War Interrogation Section (MIS-Y). About 130 series, totaling approximately 30 ft, consist of interrogation reports and related records of various U.S. and British military components. One series relates to a special State Department investigative mission (1 ft) that is probably the same one described in RG 59 (see that summary sheet). Details in the series descriptions tend to be sparse, but occasionally there are some intriguing key words, e.g., "refugee source interrogation," "want lists," and "CROWCASS."

Records of the Historical Division. Included is a large series (RECORDS OF THE HISTORICAL DIVISION, 60 ft, 205 boxes) for which an alphabetical list of topics is available. Among these topics are the following:

> 155-Germany. Includes a booklet, "KZ, Bildbericht aus fünf Konzentrationslagen") that was issued by the Office of War Information in 1945. Also includes an OWI survey of POW reactions to the booklet.
>
> 185-Judge Advocate-War Crimes. Includes letters, circulars, press releases, etc., about policies, procedures, etc., of prosecuting and reporting war criminals in the European Theater.
>
> 492S-Todt Workers. Historical interview and notes concerning the use of former German forced laborers at Cherbourg.

There are also hundreds of series for "Historical Program Files." They include a wide variety of subject matter concerning various military entities and their activities. HM agrees that many of these records are probably duplicated elsewhere, in record series pertaining to those units, but Bill Goetschel (another military archivist at Suitland) cautions that sometimes the only copy of something ends up in a historical file.

UNRRA Records. Includes a small series (i in.) entitled DISPLACED PERSONS MONTHLY REPORTS. 1945-46.

Records of the General Staff. Includes a few more small series (totaling 1 or 2 ft) relating to G-2 and MIS.

RG 338 RECORDS OF UNITED STATES ARMY COMMANDS, 1942-

EXTENT: 30,036 cu ft

LOCATION: nearly all at ST: 292 ft DT and 16 ft in various Regions

War Crimes Case Files

The "Review and Recommendations" sheets for the nearly 500 war crimes cases tried by U.S. courts and commissions between April 1945 and July 1948 have been microfilmed as M1217 (5 rolls). These sheets summarize a case with such information as trial data, charges, and summaries of evidence.

The case files themselves contain such additional records as charge sheets, trial transcripts, Army correspondence concerning the case, and petitions for clemency. Some of these cases have been microfilmed (M-Pubs 1078,1079, 1093, 1095, 1100, 1103, 1106, 1139, 1173, 1174, 1191, 1204, and 1210). The pamphlets accompanying these microfilm publications, together with the as-yet-unpublished introduction to M1217, provide useful background concerning the war crimes files.

The Auschwitz File

MN (p. 32) and MNR (p. 240) both describe this file, consisting of 10 folders and containing records collected by the U.S. Army in connection with the extradition of some former Auschwitz personnel from the U.S. Occupation Zone in Germany to Poland to stand trial. Included is a recommendation that Dr. Mengele ge awarded the Merit Cross for his "exemplary medical work." MN refers to this file as the "only documentation on Auschwitz among the U.S. Army war crimes records." He cites it according to a war crimes case number (000-50-3 that does not appear in the case file list in the introduction to M1217 (see description of that M-Pub under "War Crimes Case Files" above).

Liberator Records

One of the project tasks listed in CH is "research existing finding aids to identify and list all pertinent records of liberator army units" in RG 338. I know of no finding aids, but apparently such records do exist in this record group: MN (p. 32) specifically cites an after-action report for the liberation of Buchenwald from Combat Command A, Sixth Armored Division.

Records of EUCOM (U.S. European Command)

Bill Goetschel, an archivist at NNMF in Suitland, provided a finding aid for this body of records from which the summary descriptions below are taken. Goetschel said that because of the peculiar administrative history of these records, there is some question about whether they more properly belong in RG 349 (Records of Joint Commands) or RG 338. This may eventually result in a reallocation, but for now they are officially in RG 338.

The series titles and descriptions reveal only a small amount of material that is clearly Holocaust-related, but sometimes key words, such as "refugee" or "civilian internee," suggest records that may be worth a look. Following is a summary of the series that appeared most promising in the EUCOM inventory:

Civil Affairs Division. Five series (3 ft total) relating to displaced persons and refugees in the postwar period. The records include reports pertaining to camps, hospitals, and rest centers for displaced persons; newspapers of displaced persons (e.g., Poles, Latvians, and Jews) with translations; displaced persons status reports; and correspondence pertaining to the International Refugee Organization (IRO).

Historical Division-Administration Branch. A wide range of subjects are covered in the various series for this branch. One series of "Miscellaneous Records" (1946-49, 2 inches) includes materials on POWs, civilian internees, extradition, and displaced persons. Two series (for 1948 only?, 1 inch) contain reports of the Office of the Advisor on Jewish Affairs. One series (1945-48, ½ inch) contains historical reports of Signal Division activities during the International Military Tribunal.

JAG Division-Military Justice Branch. One series (1949-51, 2 inches) contains classified case files for war criminals released in 1951.

Records Relating to Medical Units

See the discussion at the beginning of the RG 112 summary sheet.

RG 389 RECORDS OF THE OFFICE OF THE PROVOST MARSHAL GENERAL, 1941-

EXTENT: 810 cu ft

LOCATION: all DT

Records Relating to People Detained as Possible War Criminals

EC says this record group has some materials relating to war crimes (e.g., lists of people detained as suspected war criminals), but the main focus is P.O.W.s. Aside from an old preliminary inventory (NM-3) that doesn't show anything very promising, the only finding aid is some series descriptions on microfiche, which include the records he mentioned. Among them are security-classified general correspondence of the Prisoner of War Division (1942-57, 26 ft); World War II-era rosters of prisoners of war, including Germans, Austrians, Italians, and Hungarians (55 ft); and records of the Prisoner of War Information Bureau (1942-57, 9 ft). None of these series descriptions pinpoints the war crimes records, but EC or some other archivist familiar with the files should be able to pull them out.

RG 407 RECORDS OF THE ADJUTANT GENERAL'S OFFICE, 1917-

EXTENT: 20,642 cu ft

LOCATION: 60% ST; 40% DT (a smattering at PK and in PLs)

Liberator Records

CH noted this record group as one that should be researched for the presence of material relating to liberator army units. HM says there is a card index available, but it's necessary to know in advance which army units are of interest in order to use it profitably. Frank Heppner (Military, Downtown) says the portion of the record group still Downtown is made up of "central office" records rather than those of units.

FDR - MISCELLANEOUS COLLECTIONS AT THE FDR LIBRARY

EXTENT: not known

LOCATION: Hyde Park, N.Y.

Records of the War Refugee Board

See summary sheet for RG 220

Evian-les-Bains Conference, 1938

This international conference was called by FDR to find means to facilitate the emigration of Jews from Germany. MNR (p. 243) notes two collections at the FDR Library that include material on the conference:

1. The President's secretary's file on refugees (Official File 3186)
2. Papers of Myron C. Taylor (chairman of the U.S. delegation)

Rublee-Schacht Negotiations, 1938-39

Records of negotiations between George Rublee, a State Department official, and Hjalmar Schacht of the Reichsbank (and later with Helmuth Wohlthat) concerning Jewish emigration. MNR (p. 244) cites the following collections at the FDR Library for their information concerning these negotiations:

1. Papers of Myron C. Taylor
2. Records of the President's press conferences
3. Diaries of Henry Morgenthau (which also contain material on the St. Louis affair)

MNR notes several finding aids at the FDR Library for the Holocaust-related collections.

SUBCOMMITTEE RECESS

Senator REID. The subcommittee will stand in recess until Thursday, May 7, at 9 a.m., at which time we will review the 1988 budget request for the Fossil Energy and Clean Coal Technology Programs within the Department of Energy. The subcommittee stands in recess.

[Whereupon, at 3:15 p.m., Tuesday, May 5, the subcommittee was recessed, to reconvene at 9 a.m., Thursday, May 7.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

MONDAY, JULY 20, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 1 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Robert C. Byrd (chairman) presiding.

Present: Senator Byrd.

DEPARTMENT OF ENERGY

FOSSIL ENERGY RESEARCH AND DEVELOPMENT

CLEAN COAL TECHNOLOGY PROGRAM

STATEMENT OF J. ALLEN WAMPLER, ASSISTANT SECRETARY FOR FOSSIL ENERGY

ACCOMPANIED BY:

- **DONALD L. BAUER, PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR FOSSIL ENERGY**
- **JEREMIAH E. WALSH, JR., DEPUTY ASSISTANT SECRETARY FOR MANAGEMENT, FUNDAMENTAL RESEARCH AND COOPERATIVE DEVELOPMENT**
- **JACK S. SIEGEL, DEPUTY ASSISTANT SECRETARY FOR COAL TECHNOLOGY**
- **MARVIN I. SINGER, DEPUTY ASSISTANT SECRETARY FOR OIL, GAS, SHALE, AND SPECIAL TECHNOLOGIES**

BUDGET REQUEST

Senator BYRD. The subcommittee will come to order.

This is the time scheduled for the Department of the Interior and Related Agencies Appropriations Subcommittee to hear testimony from administration witnesses on the fiscal year 1988 budget requests for the fossil energy and clean coal technology programs of the U.S. Department of Energy.

Testifying on behalf of these programs will be Mr. J. Allen Wampler, Assistant Secretary for Fossil Energy.

The fiscal year 1988 amended budget request for clean coal technology is for $350 million next year and by advanced appropriation an additional $500 million for each of the four successive years.

This total of $2 billion, $350 million together with another $150 million in prior appropriations for fiscal year 1988 is intended to fulfill the President's $2.5 billion, 5-year pollution reduction commitment to the Canadians. The request would also provide for a total of 88 full-time equivalent staff-years compared with a level of 37 for the present year.

Although Congress has been on record as supporting the Clean Coal Technology Program since October 1984, this year marks the first time that the administration has submitted a budget request for this purpose.

The President's decision to request these funds in the face of the austere budget situation which the country is confronted with for fiscal year 1988 serves to underscore the seriousness of the administration's commitment to demonstrate new, efficient, and environmentally acceptable methods to use our vast domestic coal reserves.

The administration has also prepared a revised request of $149.9 million for the "Fossil energy research and development" account. This represents a decrease of $146 million or 49 percent below the appropriation for the current year. In addition, the request would provide for 570 FTE's, which is 133 below this year's level.

BIOGRAPHICAL SKETCH OF J. ALLEN WAMPLER

I believe, Mr. Wampler, that this is your first time to appear before the subcommittee and, as is our custom, we will insert a copy of your biography in the record at this point.

[The information follows:]

BIOGRAPHICAL SKETCH OF J. ALLEN WAMPLER

James Allen Wampler was nominated by President Reagan on August 7, confirmed by the U.S. Senate on October 3, and sworn in as Assistant Secretary for Fossil Energy, U.S. Department of Energy [DOE] on October 14, 1986. In this position, he manages the Department's coal, petroleum, and natural gas research and development programs as well as oversees the Nation's strategic petroleum reserve and naval petroleum and oil shale reserves.

Prior to joining the Department, Mr. Wampler was vice chancellor of administration for Illinois Eastern Community Colleges in Olney, IL. In this post, which he assumed in 1984, he was responsible for collective bargaining, labor relations, personnel, facilities management, and business development for the four college district. He was also responsible for the colleges' interstate and international programs.

From 1982 to 1984, Mr. Wampler served as dean of mining for Wabash Valley College in Centralia, IL. During his tenure as dean of mining, Mr. Wampler administered a multicampus coal mining technology program including the supervision of instructional programs at six Illinois mining technology sites. Mr. Wampler served as vice president for NPL Incorporation, a Houston-based business communications firm, from 1980 to 1982.

Mr. Wampler's energy related background also includes service as Deputy Director for labor-management relations on the President's Commission on Coal from 1979 to 1980, and as vice president of training and development for the Bituminous Coal Operators' Association, Inc., from 1976 to 1979. He also held several positions, including corporate manager for training and development, in the Island Creek Coal Co., Lexington, KY, from 1970 to 1976.

Mr. Wampler's professional background also includes supervisory positions with Hercules, Inc., at the Radford (VA) Army Arsenal and with the State of West Virginia as a highway construction inspector. He has also served as a public school teacher in McDowell County in West Virginia.

A native of Bartley, WV, Mr. Wampler was born on September 23, 1944. He received an associate degree in electrical engineering technology from Bluefield State College in West Virginia in 1965 and a bachelor of arts degree from the same institution.

OPENING REMARKS

Senator Byrd. I would like, before calling upon you, to make a few observations on my own about the Clean Coal Demonstration Program and the Fossil Research Program.

This Nation has total recoverable fossil fuel reserves of about 1 trillion barrels of oil equivalent. One trillion barrels of oil equivalent, at 1 barrel per second, that would take 32,000 years to count—1 trillion barrels. I mention that so we get some comprehension of what we are talking about.

You see 1 trillion and 12 zeros doesn't's really mean—hello, Marie. [Laughter.]

I thought that was you. Back when we first met I did not have to use these [indicating his glasses]. [Laughter.]

Marie's husband is George Fumich, and he is the First Director of the Office of Coal Research. He's from West Virginia.

Hello, Elmer. Are you keeping the time for us today?

From the Audience. Sure. [Laughter.]

Where is George, Marie? Oh, I see him here, too. [Laughter.]

I just sent a nice letter to both of you yesterday. As a matter of fact, I signed two letters to you yesterday.

So, back to this business of talking about 1 trillion. My baby granddaughter was over to my house recently, and I asked Mary Ann how much is $1 trillion? So we wrote down 1 and 12 zeros. That didn't really mean a lot. But I said let's figure now how long it would take to count $1 trillion at $1 per second. And so we figured it out, 32,000 years.

So it would take the same amount of time to count 1 trillion barrels at 1 barrel per second of oil equivalent, and now we're talking about our recoverable fossil fuel reserves.

Of the Nation's total recoverable fossil fuel reserves of about 1 trillion barrels of oil equivalent, coal accounts for 935 billion barrels; oil, 28.4 billion barrels; natural gas, 27 billion barrels; and, natural gas liquids, 7.9 billion barrels.

Coal, therefore, represents a whopping 93 percent of our total fossil energy reserves. Yet, it supplies only 26.5 percent of our fossil fuel energy requirements. Part of the problem is technical. We have not yet developed a means to convert our transportation fleet to a coal-powered system at a price that is competitive with gasoline. But the major impediment to fuller coal use is an environmental one.

It is not clear that we really have an energy policy at all. With the exception of the strategic petroleum reserve, the administration seems prepared to let the whims of the free market, with its today-oriented nature, dictate our use of energy sources and our fate in the next energy crisis.

For example, the administration has pushed very hard and finally succeeded in its effort to remove the Fuel Use Act restriction on the burning of natural gas for electric power generation and Congress went along with that.

Natural gas is relatively inexpensive presently and the gas industry is in difficult shape, so we have seen increasing use of natural gas in utility boilers.

But gas is a very scarce resource with a high value for a number of industrial processing applications; and we should not squander it on electric power generation, especially when we have some 35 times more recoverable coal than we have natural gas in this country.

I'm not arguing against natural gas. My State is a great natural gas producing State. It's a very important fuel, but our country's energy policy, if we have one at all, is shortsighted.

One of the major constraints to broader coal use is the concern about emissions from coal combustion. That is why I introduced the National Coal Sciences Act in October 1983, S. 1925, why I have pursued the funding of clean coal technology demonstrations through the Department of Energy, and why I introduced the Clean Coal Technology Deployment Act, S. 879, last March.

I believe that clean coal technologies, if developed and deployed aggressively, can satisfactorily address the concerns of those in the Northeast and Canada in a manner that represents a productive investment in America's economy.

In addition to cleaner air, this program offers more efficient electric power generation technologies and lower utility rates to consumers, greater trade competitiveness for domestic users of electricity and greater preservation of jobs than the strict acid rain control bills under consideration elsewhere.

It seems to me that these control bills would only convert an environmental concern in the Northeast into a problem of lost jobs, increased utility bills, closed coal mines, and an increased number of ghost towns in Appalachia and the Midwest; and, in my opinion, that is no solution.

Conversely, it would appear that the clean coal approach can deliver a winning solution to both regions, while helping the entire Nation's economy and energy security.

PREPARED STATEMENT

Now with these few words as background, Mr. Wampler, I note we have your prepared statement. It will be incorporated into the record in its entirety at this point. If you would like to summarize your statement and hit the high points after briefly introducing your associates who are with you today, we will proceed to the questions, if you will.

[The statement follows:]

STATEMENT OF J. ALLEN WAMPLER

The President's fiscal year 1988 budget for fossil energy-related programs is comprised of two principal components: (1) the Clean Coal Technology Program which will demonstrate the most promising of an emerging suite of innovative pollution control technologies, and (2) a core research and development program intended to stimulate the technological evolution of future generations of advanced coal, oil and gas concepts.

The Clean Coal Technology Program

On March 18, 1987, President Reagan announced several steps to ensure a continued close working relationship between the U.S. and Canada in determining and addressing the environmental effects of acid rain. The centerpiece of the President's initiative was his directive to seek $2.5 billion over a five year period to fund innovative clean coal technology demonstrations. The commitment represents the full amount of the government's share of funding recommended by the Special Envoys on Acid Rain (Drew Lewis of the United States and William Davis of Canada) in their January 1986 report to the President and Prime Minister Mulroney.

The President's announcement fulfills a commitment made last year to Prime Minister Mulroney. But in addition to addressing a pressing concern of many Canadians, the President's initiative will also return significant benefits to this nation — not only in terms of cleaner air and the increased use of our most abundant energy resource, but also in the form of enhanced technological leadership and the potential for improved international trade.

The President's pledge is to seek funding in the amount of $500 million a year for five years. The funding would be used to structure multiple rounds of competition. Competitive procurements would be sequenced to encourage new, potentially improved clean coal concepts -- including many in the current core R&D program — to continue their development progress and to be considered as candidate technologies once they reach sufficient maturity.

As an indication of the Administration's commitment to move forward aggressively with this program, the Administration has sent a budget amendment to the Congress requesting that the full amount of funding directed by the President -- $2.5 billion — be made available to the Department in appropriations for FY 1988 and advance appropriations for FY 1989, 1990, 1991 and 1992. In this way, private industry, which will be expected to contribute matching funds at least equivalent to the government's share, will be assured that funds will be available to carry out the full extent of the 5-year program.

Even though advanced appropriations are being requested, the Administration still intends to submit an annual status review of the Clean Coal program as part of the President's yearly budget submission to Congress. This will allow for full Congressional review and input into the future course of the program.

In fiscal 1988, we propose that the $500 million request be made up of $350 million to be drawn from the remaining funds in the Clean Coal Technology Reserve Fund and the approximately $150 million previously appropriated and scheduled to be available in fiscal 1988 for the first round of Clean Coal Technology projects.

We propose to include a portion of the first-round funds because, while we recognize the Congress established the initial program under much broader guidelines than the President's proposed expanded program. several first-round projects meet the more focused criteria of the Special Envoys. Five of the nine first-round projects employ technologies that, either as demonstrations or in commercial application, fit the Lewis-Davis criteria -- that is, they can be used to improve the environmental performance of high-sulfur coal burning facilities in a cost-effective manner.

Therefore, we believe credit should be applied in FY 1988 to the anticipated federal share of the relevant projects. That amount is approximately $150 million -- the same funding level proposed as the first-round funding increment scheduled to be made available in FY 1988.

Should Congress approve the Administration's budget amendment, we would combine the $350 million in new FY 1988 funding with the $500 million in advance appropriations for FY 1989 and issue an initial, competitive solicitation of $850 million in federal cost-sharing. Our target date for releasing the solicitation would be by the end of this calendar year, pending Congressional approval of the FY 1988 budget request by October 1, 1987. Project selections would then be made by early Spring of 1988.

Subsequent solicitations would then follow between 1988 and 1992 -- each one drawing on the experience of the past competition(s), combined with guidance from an Innovative Control Technology Advisory Panel (currently being established by the Secretary), and direction from Congress.

The funding profile for both the first round of the Clean Coal Technology Program and the President's expanded program can be depicted by the chart that follows on page 4.

Projects submitted under the expanded program will be evaluated, as fully as practicable, using the criteria recommended by the Special Envoys. For example, special consideration will be given to those retrofit and repowering technologies that can be applied to existing facilities currently dependent on the use of high sulfur coal. Projects will be judged on their potential for economically reducing emission rates for SO_2 and NOx. Weighting factors will be used to reflect reductions that could help lower pollutants that affect Canadian ecosystems.

INNOVATIVE CLEAN COAL TECHNOLOGY MULTI-YEAR FUNDING PROFILE

(BUDGET AUTHORITY IN MILLIONS-$)

FISCAL YEAR	1986	1987	1988	1989	1990	1991	1992
CLEAN COAL TECHNOLOGY PROGRAM - 1ST ROUND	$100	$150	$150				
REMAINING CLEAN COAL TECHNOLOGY RESERVE FUND			350				
ADDITIONAL APPROPRO-PRIATIONS				500	500	500	500
	$100	$150	$500	$500	$500	$500	$500

PRESIDENT's PROGRAM

⬚ FY 1988 PROPOSED SOLICITATION

The budget amendment necessary to implement the expanded Clean Coal Technology Program will increase 1988 outlays by $59 million. Consistent with the President's objective of adhering to the Gramm-Rudman-Hollings deficit target of $108 billion in 1988, the increased outlays associated with this initiative are proposed to be offset by reductions in lower priority programs of the Department of Energy and other agencies. As one part of this outlay reduction, a reduction of $19 million in the Department's FY 1988 budget submission for fossil energy research and development has been proposed. This proposed reduction is described in more detail in the following section.

The Fossil Energy Research and Development Program

The President's fiscal year 1988 budget for fossil energy research and development continues the trend of recent years to include a greater emphasis on technologies that can control the release of pollutants from coal and that can increase the areas of application and flexibility of coal-based systems. It contains funding for projects that can assist industry in increasing the effective resource base for gas and liquid fuels through enhanced recovery technology and the production of such fuels from coal and shale.

The budget request also maintains "cutting edge" fundamental and cross-cutting research for fossil energy technology and resources. It continues research that makes use of the considerable expertise that exists not only in private enterprise but also in the nation's university community and national laboratories.

For fossil energy R&D in FY 1988, the department originally requested $168.9 million in new budget authority. Included was $109.4 million for coal-related research and development. Approximately $78.5 million of the coal budget -- or nearly $7 out of $10 -- was directed toward improving the environmental acceptability of coal use.

Following the President's commitment to an expanded Clean Coal Technology Program, the Administration forwarded amendments to the FY 1988 budget that would reduce the proposed fossil energy R&D request by $19 million. This reduction is part of an Administration-wide, $70.5 million budget reduction amendment that would offset the expected increase in 1988 outlays associated with the expanded Clean Coal program.

The proposed amendment will reduce the FY 1988 Fossil Energy R&D budget from $168.9 million to $149.9 million. Included is $7.7 million in reductions to eight subactivities in the proposed coal R&D budget, $3.2 million in reductions to the Program Direction & Management Support budget, a $2.5 million reduction in the proposed amendment for cooperative R&D ventures, and $5.6 million in offsets derived from the closeout of the Powerton Project ($1.7 million) and the planned termination of the KILnGAS cooperative agreement ($3.9 million).

The Coal R&D Program

The decade of the 1980s has seen a fundamental shift in national coal research priorities. During the 1970s, in the aftermath of an oil embargo that left the U.S. economy shaken by the sharp rise in oil prices and increased concern over the vulnerability of imports, the U.S. coal research program was driven largely by a goal of displacing liquid and gaseous fuels.

In the early 1980s, the perception of primary R&D needs took on a different emphasis. With increased attention focused on the issue of "acid rain" and the compatibility of coal with America's environmental goals, the national research program began to encompass new efforts to develop ways to control SO_2 and NO_x either before, during or after coal combustion.

In addition to reducing potential pollutants, the coal-based projects being proposed in the FY 1988 budget also include concepts that could open new markets for coal. Research on new processes and equipment would be funded to extend the applicability of coal into the light industrial, commercial, chemical, residential and transportation (i.e., locomotive and maritime) markets. A core R&D effort is also maintained to improve the knowledge base for converting coal into gaseous and liquid fuels.

As in previous coal budgets, the FY 1988 proposal also maintains a substantial effort in fundamental and cross-cutting research including continuation of a research program focused specifically on the nation's university community and a project involving university/national laboratory collaboration.

The Petroleum & Gas R&D Programs

The FY 1988 budget also proposes $12.3 million and $1.6 million for petroleum and gas related programs, respectively. Included in the petroleum related effort are technologies that can improve reservoir definition and cost effective extraction processes for heavy and light oil, along with continuation of fundamental and cross-cutting research.

Events during the past year have caused major changes in the domestic petroleum industry. The steep decline in oil prices has precipitated a sharp reduction in domestic production, particularly from the smaller producers with marginal fields.

The FY 1988 budget request maintains a research program to improve resource recovery and broadens specific research to examine bypassed mobile oil and higher-cost production. As part of this redirected emphasis, research in microbial enhanced oil recovery will continue its transition from laboratory studies to small scale field tests. A geoscience characterization program will also be initiated in both heavy and light oil to determine ways of overcoming constraints that currently limit production.

The unconventional gas recovery program would be continued in FY 1988 primarily as an in-house research effort. Activities would be directed toward maintaining and updating the data base for eastern gas shales, integrating the results of the western tight sands multiwell test into computer models, and continued study of the development potential of gas hydrates and the gas generation potential of deeply buried hydrocarbons.

Cooperative R&D Ventures Program

Common to all of the programs proposed in this budget is the effective transfer of technology from federally-sponsored research to private industry. This is particularly relevant given the President's State of the Union goal of assuring American competitive preeminence into the 21st Century. Advancing science and technology is fundamental to U.S. competitiveness. The President's initiative focuses on maintaining U.S. preeminence through initiating new ideas and know-how and translating these ideas into improved products and processes.

I am committed to ensuring that the Fossil Energy science and technology efforts effectively carry out the President's objective. In general, we believe the most effective technology transfer occurs when industry is involved early and substantially in a research and development effort. The more directly the research agenda is guided by the companies' own technological and economic needs, the more effective the transfer is likely to be.

In line with this policy, the Office of Fossil Energy will submit an amendment to this budget request outlining the structure of a proposed cooperative R&D ventures program. This is a relatively new approach to government-industry financial partnerships, but one we believe will give the private sector greater incentive to carry out research programs that are responsive to their R&D needs.

The Office of Fossil Energy's approach to proposed cooperative R&D ventures will be analogous to that of a business partner or investor seeking out and joining other participants in a flexible and equitable arrangement. Under the cooperative R&D venture concept, the department may offer up to 49 percent of the total funding for any one project, thereby maintaining a minority position. A cooperative venture's research agenda will be set by the participants. Through their willingness to invest resources, the venture partners will have a greater influence on the direction of federal spending than is the case in government contract research.

Particularly for participants with limited R&D funds, cooperative R&D ventures can offer a relatively low-cost route to innovative technology development through pooling of resources.

The Office of Fossil Energy has concluded a series of regional public meetings to gain private sector input into the formulation of a proposed cooperative R&D venture program. These regional meetings, held in San Francisco; Charleston, WV; and Chicago, followed a national meeting held in Denver last December. The input received from the participants at these meetings is being used to structure a cooperative R&D program and to prepare a formal budget amendment to the Congress that will provide a more definitive description of the proposed initiative. This amendment will be submitted in the near future.

The following pages provide individual descriptions of the major funding categories in the FY 1988 Fossil Energy R&D budget request.

Control Technology and Coal Preparation

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Coal Preparation	$10.9	$11.5	$ - 1.0	$10.5
Flue Gas Cleanup	12.9	13.2	- 1.4	11.8
Gas Stream Cleanup	13.1	6.9	- 2.0	4.9
Waste Management	0.9	1.4	-	1.4
Total Control Technology and Coal Preparation	$37.8	$33.0	$ - 4.4	$28.6

BACKGROUND

- Coal Preparation is directed toward the development of advanced coal cleaning technologies that will reduce the ash and sulfur content of U.S. coal so that the product can be formulated into a high quality fuel that could replace oil and/or gas and reduce environmental emissions of suspected acid rain precursors from coal-fired power plants in both new and retrofit applications. Research is conducted in three broad areas: (1) physical treatment and cleaning; (2) chemical/biological pretreatment and cleaning; and (3) engineering support and ancillary operations.

- Flue Gas Cleanup addresses the removal of pollution causing contaminants from fossil fuel fired systems to meet current and projected environmental standards that could serve to limit the utilization of fossil fuels. Efforts will be focused on fundamental research and proof-of-concept testing for processes for the independent as well as combined removal of NO_x, SO_x, and particulates, both for utility and industrial systems for new and retrofit applications.

- Gas Stream Cleanup includes the technology for removal of contaminants from gasifier and combustor process streams prior to utilization in advanced power conversion cycles such as gas turbines and fuel cells. Both hardware and environmental protection are key concerns. Research is conducted in three major areas: (1) physical cleanup for coal based gas streams; (2) chemical cleanup for coal based gas streams; and (3) alkali and trace chemicals clean up for coal based gas systems.

- Waste Management focuses primarily on waste sampling and characterization from coal preparation and emerging technology wastes.

FY 1988 BUDGET	Dollars In Millions
o Coal Preparation	
- Complete construction and testing of Gravimelt integrated system; begin operation runs with selected test coals. (FY 1987 - $1.0M)	$ 2.3
- Continue promising research and explore new concepts for physical and chemical coal cleaning. (FY 1987 - $3.5M)	$ 4.0
- Continue DOE/EPRI testing of most promising advanced concepts for fine coal cleaning. (FY 1987 - $1.5M)	$ 2.0
- Continue in-house research at laboratory scale to investigate and evaluate advanced physical and chemical coal cleaning concepts. Continue organic sulfur chemistry. Maintain a data base, characterize feed coal and coal cleaning products, and study the role of surface functional groups in coal treatment. (FY 1987 - $2.3M)	$ 2.2
o Flue Gas Cleanup	
- Continue research for TUNG scrubbing process. Complete induct spray dryer process POC test and evaluation for acid rain precursor control. Conduct boiler sorbent research. (FY 1987 - $4.4M)	$ 2.4
- Continue research on advanced NO_x/SO_2 chemistry and bench scale advanced concept development. (FY 1987 - $2.1M)	$ 1.4
- Continue advanced NO_x control research. (FY 1987 - $0.5M)	$ 0.3
- Continue research on advanced separation technology. (FY 1987 - $1.5M)	$ 3.0
- Complete fluidized bed copper oxide POC test and evaluation. (FY 1987 - $1.8M)	$ 1.5

FY 1988 BUDGET (cont'd)	Dollars In Millions
- Initiate competitive procurement to scaleup most promising advanced flue gas processes for removal of SO_2 and NO_x at 3-5 MW scale. (FY 1987 - $0)	$ 1.9
- Continue research on the capture of fine respirable particles from coal-fired boilers. (FY 1987 - $0.5M)	$ 0.8
- Continue research on enhanced mass transfer between injected solids and flue gas by using novel enhancement methods. (FY 1987 - $0.1M)	$ 0.5
o Gas Stream Cleanup	
- Continue subpilot and long term tests of integrated gasification combined cycle (IGCC) cleanup concepts, long term tests of PFBC concepts, R&D for direct coal fueled turbines (DCFT) concepts, and fundamental and systems research for all applications. (FY 1987 - $2.5M)	$ 1.0
- Continue establishment of zinc ferrite absorption and regeneration parameters and demonstration of fixed and moving bed reactor concepts for IGCC. Continue concept feasibility assessment for fuel cells, DCFT and coal fueled diesels (CFD). Complete construction and initiate testing of fixed-bed desulfurization of regenerative tail gases. Continue investigation of novel sorbents. Initiate research on advanced concepts for sulfur removal. (FY 1987-$2.6M)	$ 3.9
o Waste Management	
- Continue contracted efforts for sampling and characterization of organic and inorganic compounds in solid wastes, and energy recovery for waste stablization. Continue multi-site field monitoring of solid wastes generated by advanced energy technologies and initiate waste management systems analysis and planning. (FY 1987 - $0.5M)	$ 1.2
- Continue in-house activities on solid waste data base and supporting research. (FY 1987 - $0.2M)	$ 0.2
Total FY 1988	$28.6

Advanced Research and Technology Development

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Direct Utilization	$10.6	$ 9.0	$ - 0.7	$ 8.3
Materials and Components:				
Materials	6.8	5.0	-	5.0
Components	1.7	1.4	-	1.4
Subtotal, Materials and Components	8.5	6.4	-	6.4
Technology Crosscut:				
Environmental Activities	2.3	2.4	-	2.4
Technical and Economic Analyses	2.0	2.2	-	2.2
Technology Base Synthesis	0.8	0.6	-	0.6
Instrumentation Control and Diagnostics	1.7	1.2	-	1.2
Bioprocessing of Coal	1.0	0.2		0.2
Subtotal, Technology Crosscut	7.7	6.6	-	6.6
University/National Laboratory Coal Research:				
University Coal Research	5.5	3.6	-	3.6
University/National Laboratory Cooperative Program	0.0	0.4	-	0.4
Subtotal, University/National Cooperative Program	5.5	4.0	-	4.0
Total, Advanced Research and Technology Development	$32.4	$26.0	$ - 0.7	$ 25.3

BACKGROUND

- o The Advanced Research and Technology Development (AR&TD) Program is directed toward the scientific and technical areas that underlie the development of all fossil energy technologies.
- o The AR&TD coal science program focuses on mission-oriented fundamental research to increase understanding of the mechanisms of direct coal combustion.
- o The AR&TD program includes generic studies of materials and components and investigations of instrumentation concepts in environments associated with advanced coal technologies.
- o AR&TD differs from the Fossil Energy line programs; the latter have an end-item technology development orientation while AR&TD's mission is to pursue generic research in support of all Fossil Energy coal line programs.
- o AR&TD addresses fundamental scientific and engineering problems that are barriers to Fossil Energy technological goals.
- o The AR&TD program is unique in that it is directed to specific scientific and technical areas which are closely connected to long-range Fossil Energy objectives.
- o The AR&TD budget request for FY 1988 is believed to be appropriate given the need to progressively reduce Federal budget deficits; however because acid rain and fundamental coal research are considered high FE priority this program's budget has been reduced less than that of Fossil Energy as a whole.

FY 1988 BUDGET	Dollars In Millions
o Direct Utilization	
- Conduct fundamental research in coal properties including work on physical and chemical properties of uncombusted coal based fuels, and of solid, liquid and gaseous products produced during the combustion process pertaining to coal. In-house research performed at PETC. (FY 1987 - $0.7M)	$ 0.6
- Support pulverized coal combustion research including work on coal devolatilization, radiant heat transfer in flames, and fuel-bound contaminant behavior. Support the IEA coal combustion science program. In-house research performed by METC and PETC. (FY 1987 - $5.3M)	$ 2.6
- Perform deposition research pertinent to slagging and fouling of boilers, fluidized bed heat exchanger tube wastage and pressurized and internal combustion environments. In-house research performed by METC and PETC. (FY 1987 - $2.1M)	$ 1.8
- Increase coal beneficiation research and studies of contaminant removal during the combustion process. Continue contaminant removal research in hot gas streams. Increase fundamental surface science investigations with particular emphasis on separation of acid rain precursors. In-house research performed by METC and PETC. (FY 1987 - $1.2M)	$ 1.9
- Support generic electrochemistry research. Continue research on fundamental aspects of molten carbonate and solid oxide fuel cells and novel concept study. (FY 1987 - $1.3M)	$ 1.4
o Materials	
- Conduct research on alloys, mechanisms of erosion and corrosion, ceramics composites, and techniques for consolidation and joining of advanced aluminides. (FY 1987 - $6.8M)	$ 5.1
o Components	
- Fund two projects (fluidic devices and nozzle development) that support coal-fueled systems. (FY 1987 - $0.7M)	$ 0.5
- Continue fundamental research on solids transport. (FY 1987 - $1.0M)	$ 0.8
o Environmental Activities	
- Continue analyses of issues associated with air and water quality, solid waste disposal, and toxic substances. Continue support of occupational health and safety compliances services. (FY 1987 - $1.5M)	$ 1.7
- Continue research conducted under NAPAP with emphasis on quality assurance of data and analytical tools. (FY 1987 - $7.5M)	$ 0.7
o Technical & Economic Analyses	
- Continue studies supporting multi-year planning, FE strategy and program formulation; conduct contract studies that crosscut a number of FE programs, fund IEA activities. (FY 1987 - $2.0M)	$ 2.2

FY 1988 BUDGET (cont'd)	Dollars In Millions
o Technology Base Synthesis	
- Initiate studies to insure research is correctly focused and addresses needs of fossil energy technologies. This would include identifying areas of overlapping research, etc. Continue or initiate crosscutting advanced research projects of a multidisciplinary nature. (FY 1987 - $0.8M)	$ 0.6
o Instrumentation, Control & Diagnostics	
- Undertake studies to measure acoustic parameters of fluids for applications to multiphase flow. Reduce basic research into laser-based chemical species analysis and solid state sensor probes and the investigation of fiber optic sensors as a means to probe high-temperature coal conversion environments. In-house research performed by METC. (FY 1987 - $1.6M)	$ 1.2
o Bioprocessing of Coal	
- Conduct fundamental research in the bioprocessing of coal to gain an understanding of the biochemical mechanisms involved in coal desulfurization, liquefaction and gasification using microorganisms. (FY 1987 - $1.0M)	$ 0.2
o University Coal Research	
- Initiate approximately 20 new university projects on a variety of research topics including coal science, reaction chemistry, surface science, advanced process concepts, thermodynamics, engineering fundamentals, and environmental science; continue encouragement of collaboration between university and industrial researchers. (FY 1987 - $5.5M)	$ 3.6
o University/National Laboratory Cooperative Agreement	
- Initiate one joint project involving collaboration of a national laboratory with universities in an area such as catalyst research, biotechnology, or combustion. (FY 1987 - $0)	$ 0.4
Total FY 1988	$25.3

Coal Liquefaction

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Advanced Research	$ 4.5	$ 3.0	$ -	$ 3.0
Indirect Liquefaction	6.3	2.5	-	2.5
Direct Liquefaction	11.9	3.0	-	3.0
Support Studies/Engineering Evaluation	1.4	1.0	-	1.0
Total Coal Liquefaction	$24.1	$ 9.5	$ -	$ 9.5

BACKGROUND

- This program supports basic and applied research to develop advanced technology for the production of synthetic liquid fuels from coal.
- The Department focuses upon two approaches to producing liquid fuels from coal, direct liquefaction and indirect liquefaction.

FY 1988 BUDGET	Dollars In Millions
o Advanced Research	
- Continue research on: novel catalytic, biological and other approaches to coal liquefaction; improving the understanding of liquefaction processes; and physical, chemical and thermodynamic properties of fossil fuel liquids. (FY 1987 - $4.5M)	$ 3.0
o Indirect Liquefaction	
- Continue laboratory research at PETC investigating new catalysts/reactor systems to efficiently convert coal derived gaseous feedstocks to gasoline, diesel, or jet fuels. Continue cost-shared process oriented projects with industry and universities. (FY 1987 - $4.0M)	$ 2.5
o Direct Liquefaction	
- Continue PETC in-house research. Continue bench scale industrial research in coprocessing and/or staged catalytic liquefaction. Continue research on novel approaches to coal liquefaction. (FY 1987 - $4.9M)	$ 3.0
o Support Studies/Engineering Evaluations	
- Continue to develop solvent quality characterization and process evaluation information on advanced coal liquefaction processes. Continue mechanistic and characterization studies; novel catalyst development; and process studies at Sandia National Lab. (FY 1987 - $1.4M)	$ 1.0
Total FY 1988	$ 9.5

****

Combustion Systems

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Atmospheric Fluidized Bed Combustion	$ 3.3	$ 1.6	$ -	$ 1.6
Pressurized Fluidized Bed Combustion	5.8	7.0	- 0.4	6.6
Advanced Combustion Technology	2.8	2.5	-	2.5
Alternative Fuels Utilization	3.2	3.5	- 0.2	3.3
Limestone Injection Multistage Burners	- 1/	7.0	- 2.0	5.0
Total Combustion Systems	$15.1	$21.6	$ - 2.6	$ 19.0

1/ Previously, appropriations of $10M in FY 1986 and $3.8M in FY 1987 were made to EPA.

BACKGROUND

- The Department of Energy has developed a program to increase the contribution and application of the nation's coal resources through the development of acceptable combustion systems and fossil-derived fuels for all sectors of the marketplace. The programs within the overall Combustion Systems activity are

Atmospheric Fluidized Bed, Pressurized Fluidized Bed, Alternative Fuels and Advanced Combustion Technology.

o In addition, funding for the LIMB program, conducted by EPA, is part of this activity.

FY 1988 BUDGET	Dollars In Millions
o Atmospheric Fluidized Bed Combustion	
- Continue to conduct experimental and analytical erosion studies. (FY 1987 - $1.2M)	$ 0.4
- Initiate advanced concepts follow-on effort for varying test levels through proof-of-concept with an increasing degree of cost share (25-50%) by the private sector. (FY 1987 - $1.0M)	$ 0.3
- Complete bench scale construction and begin operational testing of selected units within the Special Applications Program. (FY 1987 - $1.1M)	$ 0.9
o Pressurized Fluidized Bed Combustion	
- Complete testing of advanced hot gas cleanup devices and continue evaluation of PFB components, design alterations and changes in operating parameters to improve systems reliability, reduce costs and enhance environmental performance. (FY 1987 - $0.6M)	$ 0.5
- Continue modeling studies to predict tube erosion/corrosion and linking criteria. Also, based on prior testing at NYU determine mechanisms for tube wastage studies so as to identify promising candidate alloys that satisfy industrial standards and which will become candidates for long term laboratory testing. (FY 1987 - $0.3M)	$ 0.5
- Continue R&D at METC on PFB dynamics, systems analysis and combustion characterization. Continue technology and economic analysis assessments. Identify data gaps and evaluate the use of "nonconventional" sorbents in advanced PFB systems. (FY 1987 - $0.9M)	$ 1.4
- Complete cost-shared follow-on effort concerned with testing critical PFB process components and prepare final reports. (FY 1987 - $1.8M)	$ 0.5
- Continue Advanced Concepts Phase II development and maintain project schedule and scope of work by testing key critical process components such as the pressurized circulating bed combustor required to confirm proof-of-concept. (FY 1987 - $2.2M)	$ 3.7
o Advanced Combustion Technology	
- Continue base program for the development of the most promising advanced combustion systems for retrofit, light industrial, commercial/institional and residential application. Industrial and utility applications of advanced combustors, which were initiated in FY 1987, will be discontinued. This activity also includes project management support. (FY 1987 - $2.1M)	$ 1.8
- Continue in-house activities including combustion and system characterization of coal based fuels. This activity also includes data base development for technology transfer to the private sector. (FY 1987 - $0.7M)	$ 0.7

FY 1988 BUDGET (cont'd)	Dollars In Millions
o Alternative Fuels Utilization	
- Continue identification, formulation and characterization of coal-based fuels in support of the advanced combustion systems program. This activity includes transport, handling and storage studies. Continue project management support and international cooperative research. Continue in-house activities in fuel rheology, emissions characterization, dense phase combustion tests of ultra fine beneficiated coal and data base development for technology transfer to the private sector. (FY 1987 - $3.2M)	$ 3.3
o Limestone Injection Multistage Burners	
- Provide funding to EPA to continue commercial-scale demonstration on tangentially-fired utility boiler. Complete design phase. (FY 1987 - $0)	$ 5.0
Total FY 1988	$19.0

* * *

Fuel Cells

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Phosphoric Acid Systems	$15.5	$ 0	$ -	$ 0
Molten Carbonate Systems	7.6	3.2	-	3.2
Advanced Concepts	5.0	2.0	-	2.0
Total Fuel Cells	$28.1	$ 5.2	$ -	$ 5.2

BACKGROUND

- The objective of the Fuel Cells program is to support high risk, high payoff technology base development and to assist private industry in developing hydrocarbon fuel conversion technologies to increase the cost effective, efficient and environmentally acceptable use of conventional and alternative hydrocarbon fuels.

- Phosphoric acid systems have advanced to the proof-of-concept stage with large scale testing underway. The Department proposes that any further technology development should be the responsibility of the private sector.

- The technical feasibility of molten carbonate fuel cells operating at approximately 60 percent electrical conversion efficiency (natural gas to busbar) has been forecast by single cell testing. The complexity and associated capital costs of advanced fuel cell systems are projected to be less than those for first generation phosphoric acid fuel cell systems.

- The solid oxide fuel cell is an advanced, high temperature solid state fuel cell that offers promise in electric utility and in cogeneration applications in industrial and commercial sectors.

- Systems are being designed and components are being developed for eventual operation using coal and coal derived fuels.

FY 1988 BUDGET	Dollars In Millions
o Molten Carbonate Systems	
- Continue development and scaleup of the single most promising molten carbonate stack activity. (FY 1987 - $6.1M)	$ 3.1
- Continue technology base research on promising concepts, electrodes and materials development. (FY 1987 - $0.5M)	$ 0.1
o Advanced Concepts	
- Continue development of a solid oxide 25 to 200 kW generator module at a reduced level of effort. (FY 1987 - $4.2M)	$ 1.6
- Continue system studies and research on advanced concepts and evaluation of new concepts. (FY 1987 - $0.8M)	$ 0.4
Total FY 1988	$ 5.2

****

Heat Engines

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Gas Turbines	$ 9.0	$ 6.3	$ -	$ 6.3
Diesel Engines	3.2	2.0	-	2.0
Total Heat Engines	$12.2	$ 8.3	-	$ 8.3

BACKGROUND

- The principal goal of this program is to establish technical data which will enable the private sector to assess the commercial viability of coal-fueled power conversion systems.
- The program goal is to assist the private sector, through selected research efforts, to develop the technology needed for direct firing of coal, either dry or suspended in a liquid carrier, or a coal-derived gaseous fuel cleaned at minimal cost.
- The program focuses on key technical problems associated with substituting coal or coal-derived gaseous fuels for distillate fuels or natural gas turbine and diesel power conversion systems.
- Applications for this technology include industrial cogeneration, combined cycle electric power generation, repowering of existing generating capacity, and both rail and marine transportation.
- The FY 1988 budget request for Heat Engines is believed to be appropriate given the need to reduce the Federal budget deficit. Because of fiscal constraints, we are not able to fund multiple approaches in this program area. We believe that funding the most advantageous technical approaches will still provide for a strong development activity.

FY 1988 BUDGET	Dollars In Millions
o Gas Turbines	
- Continue coal-fueled gas turbine integrated systems tests aimed towards proof-of-concept in 1992 with two contractors rather than the original four, reducing the number of technical approaches planned. (FY 1987 - $8.4M)	$ 5.8

FY 1988 BUDGET (cont'd)	Dollars In Millions
- Continue in-house evaluation of coal-liquid mixtures (CLM) in METC pressurized combustor test stand. (FY 1987 - $0.6M)	$ 0.5
o Diesel Engines	
- Continue in-house evaluation of CLM in METC diesel engine test facility. Continue coal-fueled diesel engine integrated system tests aimed towards proof-of-concept by 1994 with one contractor rather than the scheduled two reducing the number of technical approaches. (FY 1987 - $3.2M)	$ 2.0
Total FY 1988	$ 8.3

Underground Coal Gasification

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Gasification Technology Development	$ 1.2	$ 0	$ -	$ 0
Environmental and Advanced Research	.2	0	-	0
Total Underground Coal Gasification	$ 2.4	$ 0	$ -	$ 0

BACKGROUND

- o This program represents viable technologies for in situ conversion of coal to a cleaner burning, easily transportable gaseous fuel.
- o Current program efforts are directed toward the definition of sufficient technical, operational, and environmental parameters to allow industry to make decisions concerning the commercial development of the technology.

FY 1988 BUDGET	Dollars In Millions
o Ongoing activities will be brought to conclusion. This decision reflects the maturity of the technology and a desire to focus resources on higher priority programs. (FY 1987 - $2.4M)	$ 0

****

Magnetohydrodynamics (MHD)

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Proof-of-concept Topping Cycle	$16.2	$ 0	$ -	$ 0
Proof-of-concept Bottoming Cycle	7.3	0	-	0
Proof-of-concept Seed Regeneration	0.1	0	-	0
Systems Studies, Support Research and Conceptual Designs	2.9	0	-	0
Total Magnetohydrodynamics	$26.5	$ 0	$ -	$ 0

BACKGROUND

- o The current FY 1987 MHD program continues to implement the June 1984 cost-shared multiyear program which provides for basic supporting research and the development of components and subsystems which could eventually furnish the technology base for integrated, long duration, proof-of-concept testing.

FY 1988 BUDGET

	Dollars In Millions
o No funds have been requested for FY 1988. The Department believes that the cost of continuing its MHD program is not affordable in light of current fiscal constraints.	$ 0

* * *

Surface Coal Gasification

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request -FY 1988	Proposed Amendment	Revised Request
Operating				
Advanced Research	$ 2.8	$ 0.6	$ -	$ 0.6
Systems for Power Production	14.4	1.5	-	1.5
Systems for Industrial Fuel Gas Production	1.2	1.0	-	1.0
Systems for Synthesis Gas Production	1.7	1.2	-	1.2
Systems for Coproducts Production	4.1	1.0	-	1.0
Great Plains Coal Gasification Project	0.4	0.5	-	0.5
Total Surface Coal Gasification	$24.7	$ 5.8	$ -	$ 5.8

BACKGROUND

- o The coal gasification program is organized to foster the development of advanced gasifier systems for the production of: electric power, synthesis gas (for synthetic natural gas, indirect liquefaction, and chemical feedstocks), industrial fuel gas, and coproducts (simultaneous production of solids, liquids, and gases).

- o This activity also provides for basic and fundamental research related to Surface Coal Gasification processes including studies of reaction mechanisms and chemistry. In addition, this program supports the continued management and modeling of the Great Plains Project.

- o This new organization has resulted in a revised budget structure that better reflects the relationship between program content and the interests of the potential end-users.

FY 1988 BUDGET

	Dollars In Millions
o Advanced Research	
- Continue research on the fundamental chemistry and reaction mechanisms of coal gasification and the use of catalysts to control product yield distributions. Discontinue work at UNDERC on ash and slag chemistry. (FY 1987 - $1.9M)	$ 0.4
- Continue work on separating hydrogen from synthesis gas using ion exchange membranes. Continue research on understanding the factors controlling the cleavage and restoration of bonds in coal molecules leading to the development of practical pretreatment methods to obtain higher product yields. (FY 1987 - $0.9M)	$ 0.2

FY 1988 BUDGET (cont'd)	Dollars In Millions
o Systems for Power Production	
- Continue studies on entrained flow reactors and associated materials and component development efforts to determine effects of extreme gasification conditions; development of techniques for environmental characterization of power systems, sampling of operating systems and evaluate hot gas cleanup candidate technologies; and operation of fixed bed gasifier at METC to generate flue gas to evaluate and develop advanced hot gas cleanup systems. (FY 1987 - $2.1M)	$ 1.5
o Systems for Industrial Fuel Gas Production	
- Continue development of potentially lower cost method for oxygen production; advanced instrumentation research on slipstream gasifier testing; and operation of METC fluid-bed gasifiers to provide data on system integration and optimum configuration of subsystems. (FY 1987 - $1.2M)	$ 1.0
o Systems for Synthesis Gas Production	
- Continue DOE/Gas Research Institute (GRI) technical evaluation and engineering analysis of synthesis gas systems; studies on low cost hydrogen separation using novel concepts including membranes; and investigations on low cost shift catalysts. (FY 1987 - $0.8M)	$ 1.2
o Systems for Coproducts Production	
- Continue investigation of rapid coal devolatilization for maximum liquid yields; studies on ugrading of coal derived liquids; systems analysis and economic evaluation of mild gasification processes; investigation of novel electrochemical process for production of coal liquids; multi-solid fluid bed phenomena investigations; and development of recirculating catalyst for mild gasification process. (FY 1987 - $2.9M)	$ 1.0
o Great Plains Coal Gasification Project	
- Complete post operating assessments and information archiving. Administrative closeout expenses. (FY 1987 - $0.4M)	$ 0.5
Total FY 1988	$ 5.8

****

Enhanced Oil Recovery

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Heavy Oil	$ 2.3	$ 2.1	$ -	$ 2.1
Light Oil	7.2	7.2	-	7.2
Tar Sands	1.7	0	-	0
Total Enhanced Oil Recovery	$11.2	$ 9.3	$ -	$ 9.3

BACKGROUND

o Enhanced oil recovery represents a technology that can fill the gap between now and the critical time when the nation will likely rely more extensively on synthetic fuels (also being developed by our Oil Shale, Tar Sands, and Liquefaction programs).

- The Department of Energy has developed a program to conduct generic technology base R&D activities; develop fundamental knowledge that can lead to improved and new process concepts; and to assist industry in obtaining a better understanding of the mechanisms and behavior of advanced and novel EOR processes for the recovery of presently unrecoverable light oil, heavy oil and tar sand resources.
- FY 1988 funding will concentrate upon heavy and light oil recovery research. Developing advanced oil recovery techniques is a major thrust of the Fossil Energy R&D program for FY 1988.

FY 1988 BUDGET	Dollars In Millions
o Heavy Oil	
- Continue basic research at the National Institute for Petroleum and Energy Research (NIPER) in mobility control mechanisms of steamflood additives for increasing sweep efficiency, in foam generation and stability, and in correlating chemical/physical reservoirs properties with specific additive behavior. (FY 1987 - $1.5M)	$ 0.4
- Continue cooperative research with Venezuela and Mexico on a task shared basis through NIPER in petroleum characterization and recovery; work with the oil producing states to mitigate production declines; and conduct the related planning, technical and analytical assessments. (FY 1987 - $0.6M)	$ 0.2
- Initiate a geoscience characterization program as a means for overcoming reservoir heterogeneity constraints to thermal sweep efficiencies and effective fluid displacement and recovery. (FY 1987 - $0)	$ 0.5
- Initiate research in novel extraction approaches to extraction of presently deemed unrecoverable heavy oil resources through alternate reservoir access methods, advanced techniques for restimulating mature wells such as MEOR and other new technologies. (FY 1987 - $0)	$ 0.5
- Initiate fundamental studies on the chemical, physical and thermodynamic properties and behavior of reservoir and injection fluid interactions. (FY 1987 - $0)	$ 0.5
o Light Oil	
- Continue broad based program of research at NIPER in light oil recovery; work with oil producing states to mitigate production declines; and conduct the related planning, technical and analytical assessments. (FY 1987 - $1.2M)	$ 3.8
- Initiate a geoscience effort to address geological parameters impacting EOR including determination of residual oil saturation in the zones where EOR fluids are injected; quantification of the micro and macroscopic heterogeneities that cause channeling around targeted residual oil; development of analytical and diagnostic techniques to characterize reservoirs. (FY 1987 - $1.7M)	$ 0.6
- Continue research in advanced process analysis to include systematic microbiological studies and explore the feasibility of other novel methods of access to as well as extraction of residual oil resources. (FY 1987 - $0.1M)	$ 0.6

FY 1988 BUDGET (cont'd)	Dollars In Millions
- Continue fundamental studies to better understand three-phase fluid movement in reservoirs, rock/fluid interaction phenomena including chemical absorption and desoprtion, relative permeability, wettability effects, ion exchange characteristics, surface chemistry and chemical potential of sedimentary rocks as a foundation for industry to design efficient, effective chemical recovery systems. (FY 1987 - $1.5M)	$ 0.6
- Continue an in-house program of research in gas miscible, CO_2 recovery with emphasis on understanding reservoir heterogeneity effects on gas flooding, development of mobility control strategies to affect significant increases in sweep efficiency, and on fundamental studies to identify displacement mechanisms requisit to efficient, effective and predictable application of CO_2 and other gas recovery methods. (FY 1987 - $1.3M)	$ 0.6
- Solicit small cooperative industry field tests to rapidly demonstrate promising lab scale EOR concepts particularly applicable to mature light oil fields in production decline. (FY 1987 - $1.5M)	$ 1.0
o Tar Sands	
- Reflects a decision to suspend activities and focus resources on higher priority areas such as Enhanced Oil Recovery)FY 1987 - $1.65M)	$ 0
Total FY 1988	$ 9.3

****

Advanced Process Technology

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Advanced Exploratory Research	$ 3.3	$ 1.6	$ -	$ 1.6
Arctic and Offshore Research	0.5	$ 0.4	-	0.4
Total Advanced Process Technology	$ 3.8	$ 2.0	-	$ 2.0

BACKGROUND

- The Advanced Process Technology (APT) Program pursues new concepts to achieve quantum increases in efficiency and cost reduction of recovery techniques for oil, gas, and oil shale.

- The goals of this research program are:

  - to conduct fundamental research relevant to recovery of oil, gas and oil shale.

  - to pursue application of discoveries from unexplored new concepts which may achieve quantum increases in the recovery of oil, gas and oil shale resources.

  - to develop a fossil energy-related knowledge base that will improve the economics of fossil fuel production in the Alaskan Arctic and expand the reserves.

FY 1988 BUDGET	Dollars In Millions
o Advanced Exploratory Research	
- Continue a program of fundamental studies including crosscutting research in petroleum, geoscience and chemistry; identify stability and contaminant problems associated with processing techniques applied to petroleum, tar sands and oil shale. Work performed at NIPER. (FY 1987 - $1.2)	$ 0.9
- Continue research on extraction technology and development of advanced instrumentation to measure reservoir characteristics and thermal fronts. (FY 1987 - $1.4)	$ 0.3
- Continue fuels research, correlation of fuels composition and processing needs for predictive models. (FY 1987 - $0.1)	$ 0.1
- Continue research on pollutants in aquifers adjacent to oil, gas and shale in-situ recovery operations, and development of mitigation strategies. Work performed by NIPER. (FY 1987 - $0.6)	$ 0.3
o Arctic and Offshore Research	
- Continue acquisition of data on ice island motions and ice floe interactions with structures, and development of the Arctic/Offshore oil and gas research data base. (FY 1987 - $0.5)	$ 0.4
Total FY 1988	$ 2.0

Oil Shale

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Oil Shale Technology Base	$ 7.8	$ 0.7	$ -	$ 0.7
Environmental Mitigation	3.2	0.3	-	0.3
Total Oil Shale	$11.0	$ 1.0	$ -	$ 1.0

BACKGROUND

- o Oil shale technology development represents the development of extraction and conversion processes designed to convert oil shale to a state of liquid fuels.
- o The Department of Energy has developed a program to provide a sound technologic basis for reduction of economic and environmental constraints to industrial development of the U.S. oil shale resources and to increase the amount of resource that may be used economically.
- o The program will focus on basic research using reference shales to systematically study the chemistry, kinetics, and emissions related to eastern and western shale processing.
- o FY 1988 funding estimates concentrated Petroleum research efforts towards heavy and light oil research, both nearer-term technologies when compared to Oil Shale and Tar Sands. The Oil Shale request for FY 1988 reflects this prioritization of the Petroleum programs.

FY 1988 BUDGET	Dollars In Millions
o Oil Shale Technology Base	
- Continue an integrated program of research at METC and LLNL, develop the experimental data, and associated models and systems analysis capabilities required by industry to determine how raw shale composition and process conditions affect the quantity and quality of product and air, water and solid waste emissions. (FY 1987 - $1.1M)	$ 0.7
o Environmental Mitigation	
- Continue research to identify and quantify trace element emissions and how they partition in the product and waste streams as a function of process condition and shale composition; conduct plannning, technical and analytical assessments. (FY 1987 - $0.7M)	$ 0.3
Total FY 1988	$ 1.0

Unconventional Gas Recovery

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Eastern Gas Shales	$ 0.8	$ 0.3	$ -	$ 0.3
Western Tight Gas Sands	5.4	0.3	-	0.3
Environmental and Advanced Research	1.8	1.0	-	1.0
Total Unconventional Gas Recovery	$ 8.0	$ 1.6	$ -	$ 1.6

BACKGROUND

- This program fosters the development of advanced technologies for the extraction of natural gas from currently unrecoverable unconventional gas resources by reducing the uncertainty surrounding the potential magnitude of these resources and the conditions under which they will be produced.
- The program will develop technologies to the point where concepts are proven and economics established.

FY 1988 BUDGET	Dollars In Millions
o Eastern Gas Shales	
- Continue in-house support to maintain and update the technical data base and research with associated reservoir and stimulation models; continue systems analysis in support of production strategy development. (FY 1987 - $0.3M)	$ 0.3
o Western Tight Gas Sands	
- Continue in-house research on reservoir and stimulation model application; systems analyses; data base maintenance and expansion. Modeling focuses on integration of multiwell results and on regional studies of production patterns and reservoir behavior. (FY 1987 - $0.9M)	$ 0.3
o Environmental and Advanced Research	
- Continue in-house geologic, geophysical and geochemical studies in support of a program to explore deep source gas generation potential of organics subducted at tectonic plate margins. (FY 1987 - $0.5M)	$ 0.3

FY 1988 BUDGET (cont'd)	Dollars In Millions
o Environmental and Advanced Research (cont'd)	
- Continue research to explore, on a fundamental basis, geophysical and geochemical properties of gas hydrates and to examine gas hydrate recovery strategies based on an understanding of the gas release mechanisms. Conduct in-house technology assessment of processes to convert natural gas to liquids. (FY 1987 - $0.4M)	$ 0.7
Total FY 1988	$ 1.6

****

Program Direction and Management Support

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Operating				
Headquarters Program Direction				
Salaries and Benefits	$ 8.5	$ 8.9	$ -	$ 8.9
Travel	0.4	0.5	-	0.5
Contract Services	5.4	1.5	- 1.0	0.5
Subtotal, Headquarters Program Direction	14.3	10.9	- 1.0	9.9
ETC Program Direction:				
Salaries and Benefits	17.5	13.6	-	13.6
Travel	1.0	0.7	-	0.7
Contract Services	28.5	13.3	- 2.2	11.1
Subtotal, ETC Program Direction	47.0	27.6	- 2.2	25.4
Federal Inspector for the Alaskan Natural Gas Transportation System	0.2	0.2	-	0.2
Total Program Direction	$61.5	$38.7	$ - 3.2	$ 35.5

BACKGROUND

- o This activity provides funding for salaries, benefits and overhead expenses for the management of FE program at Headquarters, and the Energy Technology Centers:
  - The Headquarters staff is responsible for overall program direction which implements DOE policy and communicates that policy to the Energy Technology Centers, sets program objectives, develops program plans and evaluates alternative program strategies, develops and defends budget requests to the Office of Management and Budget and to the Congress, approves procurement plans, monitors work progress, evaluates projects, and approves revisions in work plans as required to attain program goals.
  - The Energy Technology Centers support day-to-day project management functions for assigned programmatic areas including contract and National Laboratory monitoring, development and maintenance of project budget, and procurement plans, and other activities related to program and site support.
  - The Office of the Federal Inspector for the Alaska Natural Gas Transportation System is responsible for coordinating all Federal activities pertaining to the pipeline in order to assure timely, efficient, safe, and environmentally sound construction including the assessment of developments in the world energy market, specifically the U.S. and Canadian oil and gas situation as they affect the Alaska Natural Gas Transportation System.

FY 1988 BUDGET	Dollars In Millions
o Provide funds for 130 FTEs at Headquarters. This staff implements and communicates policy to the ETC's, sets program objectives, develops program plans and evaluates alternative strategies; develops and defends budget requests; approves procurement plans, monitors work programs. (FY 1987 - $8.4M)	$ 8.9
o Provide funds for 130 FTEs in support of the activities stated above. Both domestic and international travel is conducted. (FY 1987 - $0.4M)	$ 0.5
o Provide for contractual services that are generic to the entire FE program. Included are items such as printing, computer services, technical support services, conferences, etc. (FY 1987 - $5.4M)	$ 0.5
o Provide funds for ETC staff of 240 FTEs. Activities of the staff include contract and lab monitoring; development and maintenance of project, budget and procurement plans, and other activities related to program and site support. (FY 1987 - $17.5M)	$13.6
o Provide funds for 240 FTEs in support of the coordination of the above activities in the attainment of program goals, both on the domestic front and abroad. (FY 1987 - $0.9M)	$ 0.7
o Provide funds for facility operations, maintenance, finance and administrative support and other costs not appropriately chargeable to R&D projects, in support of this level of FTEs. (FY 1987 - $28.5M)	$11.1
o Provide funds for administrative and support functions; continue to assess developments in U.S. and Canadian energy markets and maintain liaison with project sponsors, producers, other government agencies, State of Alaska and Canadian government. (FY 1987 - $0.2M)	$ 0.2
Total FY 1988	$35.5

Plant & Capital Equipment

(Dollars In Millions)

FUNDING ACTIVITIES	FY 1987	Jan. Request FY 1988	Proposed Amendment	Revised Request
Capital Equipment	$ 1.5	$ 0.5	$ -	$ 0.5
Construction	1.7	0	-	0
Total, Plant and Capital Equipment	$ 3.2	$ 0.5	$ -	$ 0.5

BACKGROUND

- o Capital equipment is purchased annually to replace obsolete equipment so that the Energy Technology Centers (ETCs) and the National Laboratories analytical capabilities are constantly being upgraded.
- o General plant projects are essential to the safe, efficient operation of the ETCs and construction is dedicated to a number of improvements, alterations and additions at each of the Energy Technology Centers.

FY 1988 BUDGET	Dollars In Millions
o Capital Equipment	
- Provide ADP equipment for PETC. (FY 1987 - $1.5M)	$ 0.5
o Construction	
- No activity. (FY 1987 - $1.7M)	$ 0
Total FY 1988	$ 0.5

The attached table summarizes the funding request for the FY 1988 Fossil Energy R&D program.

SUMMARY TABLE

Budget Item	FY 1987 Request	FY 1987 Approp.	JANUARY FY 1988 Request	REVISED FY 1988 Request
COAL				
Control Tech and Coal Prep	$ 18.1	$ 37.8	$ 33.0	$ 28.6
Advanced Research & Tech Dev	27.2	32.4	26.0	25.3
Coal Liquefaction	9.1	24.1	9.5	9.5
Combustion Systems	9.2	15.1	21.6	19.0
Fuel Cells	5.0	28.1	5.2	5.2
Heat Engines	8.0	12.1	8.3	8.3
Underground Coal Gasification....	---	2.4	---	---
Magnetohydrodynamics	---	26.5	---	---
Surface Coal Gasification	5.6	24.7	5.8	5.8
Subtotal, Coal	82.2	203.2	109.4	101.7
GAS				
Unconventional Gas Recovery	5.3	8.0	1.6	1.6
PETROLEUM				
Advanced Process Technology	1.8	3.8	2.0	2.0
Enhanced Oil Recovery	4.5	11.2	9.3	9.3
Oil Shale	3.6	11.0	1.0	1.0
Subtotal, Petroleum	9.9	26.0	12.3	12.3
POLICY & MANAGEMENT .... (includes Plant & Capital Equip)	40.2	64.7	39.1	35.9
COOPERATIVE VENTURE R&D POOLS ...	12.5	---	7.0*	4.5*
Subtotal, Fossil Energy R&D	$ 150.1	$ 301.9	$ 169.4	$ 156.0
Offsets from Prior Year Funds	- 67.3	- 6.0	- .5	- 6.1
TOTAL, FOSSIL ENERGY R&D	$ 82.8	$ 295.9	$ 168.9	$ 149.9

* To be submitted in a subsequent budget amendment

Mr. Chairman and Members of the Committee, as you are aware, the funding request for the Office of the Federal Inspector, Alaska Natural Gas Transportation System is contained within the budget submitted by the Department of Energy's Office of Fossil Energy.

The current Federal Inspector is Theodore J. Garrish who was appointed to the position by the President on August 18, 1986.

Brief Status Report on the Pipeline Project

With the approval of the Design Criteria Manual and all scheduled environmental plans on April 16, 1985, the bulk of the foundation engineering for remobilization was completed. The Design Criteria Manual included the Frost Heave Design Criteria and Methodology, an outstanding engineering achievement for the Alaskan Leg Sponsors. This work was watched closely by the Office of the Federal Inspector (OFI) and monitored by the Corps of Engineers' Cold Regions Engineering Technical Committee (CRETC).

While the approved frost heave criteria shows that an acceptable engineering solution is possible, follow-up work was started by the Northwest Alaskan Pipeline Company (NWA) to further improve the cost-effectiveness of the possible solutions. NWA concluded its work in November 1985 with very promising results. CRETC, under contract to the OFI, is currently exploring certain broader aspects of frost heave effects.

The Western Leg of the Prebuild continued to run at full capacity throughout 1986, while the Eastern Leg averaged 39 percent capacity.

The ANGTS consortium (currently comprised of five gas transmission companies) met in December and approved its operating budget for 1987. Northwest Alaskan Pipeline Company, the operating partner, has reduced its staff to seven and now conducts essentially all of its activities out of Salt Lake City, Utah and Fairbanks, Alaska.

The FY 1988 Budget Request

OFI has budgeted $230,000 and three full-time equivalent positions for FY 1988. This is considered the level necessary to oversee the Sponsor's activities, maintain working relationships with participants in the Alaska Natural Gas Transportation System (ANGTS) and sustain the daily operations of the Agency. OFI plans to continue operating at a minimal level as long as the project completion date continues to float.

As we have testified previously, maintaining an OFI is necessary to comply with and protect the legal framework and the engineering process and achievements to date. Retention of this process could save years during remobilization and fully justifies the minimum expenditure. We will still be responsive to the Sponsor's workload projections, and will adjust our plans accordingly as developments occur.

The OFI has closed all of its field offices and has extended its administrative support agreement with the Department of Energy. OFI's technical staff needs are met on a contract basis. It is anticipated that Phase II construction efforts will be remobilized in the early 1990s as natural gas markets stabilize and financing prospects improve for the entities participating in project construction.

This completes my prepared statement, Mr. Chairman.

INTRODUCTION OF ASSOCIATES

Mr. WAMPLER. Thank you, Mr. Chairman.

With me at the table I have Mr. Donald Bauer to my immediate left who is the Principal Deputy Assistant Secretary for Fossil Energy; to his left Mr. Jerry Walsh, who is the Deputy Assistant Secretary for Management Fundamental Research and Cooperative Development; to my right Mr. Jack Siegel, the Deputy Assistant Secretary for Coal Technology; and Mr. Marvin Singer, the Deputy Assistant Secretary for Oil and Gas.

Senator BYRD. All right. We are very glad to have your supporting witnesses with you.

CLEAN COAL TECHNOLOGY PROGRAM

Mr. WAMPLER. Thank you. I would like to take just a few minutes to summarize the President's commitment to expand the Clean Coal Technology Program and also to say a few words about the core R&D program.

The President's announcement on March 18 that he would seek the full amount of the Government's share of funding recommended by the special envoys fulfills a commitment made last year to Prime Minister Mulroney.

But in addition to addressing a pressing national concern of many Canadians, the President's initiative will also return significant benefits to this Nation, not only in terms of cleaner air and the increased use of our most abundant energy resource, but also in the form of enhanced technological leadership and the potential for improved international trade.

To ensure that the industry has confidence that the administration is prepared to provide its share of financing, we have submitted a budget amendment for the full amount of $2.5 billion.

We believe this will demonstrate our commitment to this program and to the Lewis-Davis report. The administration intends to submit an annual status review of the clean coal program as part of the President's yearly budget submission to Congress. This will allow for full congressional review and input into the future course of the program.

Should the Congress approve an expanded clean coal program, we would issue the first of a new series of solicitations by the end of this calendar year. The first projects would be selected by the spring of next year.

Let me insert an item at this point, Mr. Chairman, regarding our current clean coal program. As you know, nine projects were selected last year in the program's first round of competition. We have completed negotiations with four. Five remain in the negotiation process.

We believe it is in the national interest to conclude the remaining talks as quickly as possible. Therefore, earlier this month I directed our negotiators to establish a fixed deadline of September 30 to complete the remaining negotiations.

I also directed that interim milestones be established so we can gauge the progress of each ongoing negotiation. If the milestones cannot be achieved, we will be prepared to terminate negotiations before September 30, unless there is a reasonable likelihood that the final deadline could be met.

Let me say, Mr. Chairman, that generally I have been pleased with the progress made in these negotiations. The remaining five have been prolonged primarily because companies have needed additional time to finalize their business arrangements. But the time is rapidly approaching when we will have to consider terminating those negotiations which cannot be successfully completed.

Let me assure you that we will make those judgments in the most responsible manner possible and I hope people will view our position as being one intended to expedite this very important program.

I recognize, Mr. Chairman, that you have introduced S. 879 which is similar in many respects to the administration's proposed program but includes regulatory provisions currently under review by the administration.

We believe that there is a considerable amount of common ground between these two approaches. And we have been very pleased with the willingness of you and your staff to work with us in developing an approach that is in the best interests of both the coal industry and the Nation as a whole. I believe that we are indeed moving down a common path.

BIPARTISAN CLEAN COAL BILL

Mr. Chairman, I can report to you today that the administration is willing to work actively toward a bipartisan Clean Coal Technology Program authorization bill. I understand, Mr. Chairman, that you've been working with the leadership of the Senate Energy Committee in drafting a bipartisan clean coal bill. We look forward to seeing this bill introduced shortly and hope that it can become the basis for a bipartisan legislative initiative.

FOSSIL ENERGY RESEARCH AND DEVELOPMENT PROGRAM

Let me briefly mention the key aspects of the Fossil Energy R&D Program.

There is a heavy emphasis this year in the coal program on technologies that can control the release of pollutants from coal. This is a continuation of a policy trend that began in the early part of this decade in response to increasing concerns about such environmental disorders as acid rain.

Many of the efforts in our program are applicable to utility power generation. But several concepts will also increase the available markets for coal-based systems beyond just utility applications, helping to open up, for example, new markets in the light industrial, commercial, residential, and transportation sectors.

We also believe it is important to maintain a solid base of R&D in petroleum and gas. The largest proportion of this effort will be allocated to petroleum R&D, with an emphasis on those activities that the oil industry can no longer pursue.

In fact, we have broadened our petroleum-related program to include the examination of bypassed mobile oil, something that could be particularly relevant in light of the situation facing many operators in today's oilpatch.

Also included in our budget proposal is an amendment to implement a Cooperative R&D Venture Program. The cooperative venture concept is one that I believe makes a great degree of sense for both Government and private entrepreneurs. It is not a replacement for direct Government funding for R&D, nor is it an attempt to divert funds from our mainline R&D budget.

Instead, the concept seems to me to be a creative, potentially beneficial way to leverage Federal dollars while placing more R&D decision-making in the hands of the private sector.

In summary, Mr. Chairman, the fossil energy budget is a sound budget. Its proposed funding levels are admittedly tempered by the realization that deficit reduction priorities are paramount.

But the programs and projects in this budget are those we expect to return the most dividends to this Nation for the dollars spent.

This completes my opening remarks, and I'll certainly be glad to answer any questions you have.

COMPARISON OF THE PROPOSED CLEAN COAL TECHNOLOGY PROGRAM WITH THE CURRENT PROGRAM AND THE SPECIAL ENVOYS' REPORT

Senator BYRD. Would you like at this point, Mr. Wampler, to indicate the ways in which the President's program would differ from the criteria established for the original clean coal program?

Mr. WAMPLER. The clean coal program was established under much broader guidelines than the President's expanded program. The original program was for all coals and all markets.

The President's program will be patterned very closely to the recommendations of the special envoys, and that means that it will focus on technologies that can be applied in their commercial state to existing high-sulfur coal burning facilities. It will emphasize those technologies that offer the largest reductions in pollutants suspected of contributing to acid rain at the lowest cost per ton.

The original clean coal program again was much broader in scope, but the President felt, however, in moving forward with an expanded program that it would be most beneficial to adhere to the special envoys' report insofar as practicable.

Senator BYRD. How will it differ from the criteria recommended by the special envoys?

Mr. WAMPLER. I think that maybe your question is based on the phrase that we have used, and I just finished using it, and I've used it in testimony several times, that says we will follow the envoys' recommendations as fully as practicable and we're not trying to distance ourselves from the special envoys' report. That report will be the basis of our program.

But I think we must recognize that the special envoys' recommendations and criteria were not written in precise terms of procurement. For example, the envoys recommended that more consideration should be given to projects that demonstrate retrofit technologies that are applicable to the largest number of existing sources.

They had, for example, a weighting criteria.

Senator BYRD. They had what?

Mr. WAMPLER. Pardon?

Senator BYRD. You said they had, for example, some kind of criteria.

Mr. WAMPLER. A weighting criteria that gives special weight to special situations. Our task will be to evaluate those, with the help of the innovative control technology advisory panel, to decide exactly what that meant and how much more weight, for example, should be given to certain of these projects.

Senator BYRD. In what other ways does the President's proposal differ from the envoys' proposals and have these differences been discussed with the Canadians?

Mr. WAMPLER. Yes; we've had conversations with the Canadians, and while they certainly still have a great deal of ongoing interest in the process as it moves forward, I'm not aware of any outstanding issues that we have in the clean coal program with the Canadians at this point in time.

Senator BYRD. In what other ways does the President's proposal differ from those recommended by the envoys?

Mr. WAMPLER. Mr. Chairman, I can't think of another instance that the President's proposed program, at this time, would differ from the envoys' criteria.

Again, as you are aware, the Secretary has appointed an innovative control technology advisory panel that will begin meeting very shortly and we expect to work with this panel very closely to establish exact criteria and to establish the remainder of the program.

But as far as anything being etched in stone at this point in time that disagrees with the envoys' report, I'm not aware of it.

Senator BYRD. You said that these proposals had been discussed with the Canadians?

Mr. WAMPLER. We have ongoing discussions with the Canadians and the bilateral advisory group which meets periodically. We have had discussions in that forum and other discussions that have been with specific members of that group.

Senator BYRD. What are their reactions or objections to the President's proposals?

Mr. WAMPLER. Well, I think the Canadians certainly would be desirous of having an accord with the United States that would establish an emissions target, and while the President agreed to consider such an accord, that's all he agreed to do and we are in the process of considering that item. But, I suspect that will be an ongoing situation in the bilateral advisory group.

CLEAN COAL TECHNOLOGIES EFFECT ON ACID RAIN

Senator BYRD. In addition to their concerns about the compliance of the President's program with the special envoys' guidelines, some of the members from the Northeast have expressed concerns that implementation of an expanded clean coal program is nothing more than an attempt to delay acid rain control legislation which they favor.

In your view, can the deployment of clean coal technologies offer a significant improvement in reducing acid rain precursors?

Mr. WAMPLER. Absolutely, Mr. Chairman. I don't subscribe to the idea that the clean coal program is an attempt to forestall acid rain legislation. In fact, I believe it's also more than just an attempt to resolve our differences with Canada.

The program is extremely important for the United States in several respects. It gives us an opportunity to put into place a new generation of advanced coal-based technologies. Today's proposed control legislation, no matter how it is phrased, would lock us into the use of conventional technologies for well into the 21st century and it would be extremely costly.

I firmly believe that if Congress passes acid rain legislation today you can write this country off as a technological leader in coal-based power generation for the rest of our lifetime.

The coal technologies we expect to demonstrate in this program are potentially exportable, either alone or in a combination with the sale of coal itself. And if we put into place actual working hardware that can be demonstrated to perspective international buyers, I think we will have a tremendous leg up in terms of world competitiveness in both coal and coal technology.

But, technologies that we are developing will be more efficient certainly than today's boiler-scrubber combination and that will translate into a major benefit for the ratepayer. The technologies do not have the secondary environmental problems attached to today's control operations, for example, the sludge of conventional wet scrubbers.

And, finally, I think the demonstration of the technologies in this program, especially the repowering technologies, will give utilities a fundamentally new approach to meeting both their problems. There are problems of aging powerplants and a growing demand for electricity.

I think that if you sum up the difference between the Clean Coal Technology Program and various acid rain legislation that has been proposed, I think the Clean Coal Technology Program can fix rather than just patch the problem.

COST ESTIMATES FOR ACID RAIN CONTROL BILL

Senator BYRD. Can you provide the cost estimates for achieving and maintaining over the next 60 years the control levels contemplated in S. 300, S. 321 and H.R. 4567?

Mr. WAMPLER. Mr. Chairman, I can provide those, and I can provide a more complete set for the record. I can make a general comment that might shed some light on those.

The cost numbers in the so-called Mitchell bill, S. 321, would likely be in the range of $9 to $10 billion a year in the early stages of implementation and those would decline in our estimation to around $6 billion a year after the year 2000.

Now over a 20-year period the cumulative costs would amount to something like $150 billion. We are currently in the Department, under Assistant Secretary Walker's guidance, working on a more definitive study and we would be glad to furnish that to the committee once it's completed.

Senator BYRD. All right, if you would.

Also on S. 300 and H.R. 4567, do you have any figures on those at the moment?

Mr. WAMPLER. We don't at the moment. We'll furnish those for the record as well.

Senator BYRD. All right.

[The information follows:]

COSTS OF COMPLIANCE WITH ACID RAIN CONTROL BILLS

Literally dozens of studies have evaluated the costs associated with acid rain bills proposed over the last several years. Most of these studies are conducted with one of several computer models which calculate the least cost of compliance with the requirements, and the model strategies often involve complex schemes, like trading emission control requirements between States. The end result of the optimization approaches is that they tend to underestimate the cost of compliance which will actually result in the real (nonideal) world. Additionally, these bills tend to be somewhat ambiguous and the modeler must make subjective decisions regarding factors like how the author intended for emissions growth to be treated. Furthermore, analysts differ over how utilities will meet future demand, and different assumptions can dramatically affect emissions and the costs of control programs. Given these areas of uncertainty, it is not surprising that different analyses of the same bill can yield very different results.

Several studies have estimated the cost of control to meet the requirements of H.R. 4567. ICF evaluated nitrogen oxide controls and sulfur dioxide controls and reported costs, ranging from $0.7 to $5.6 billion for 1995 and from $2.8 to $7 billion for 2000 (1985 dollars), depending on the compliance strategy assumed. [1] A study for the Edison Electric Institute [EEI] found costs to be $5.6 billion per year (levelized 1986 dollars) for the next 20 years. [2]

With respect to S. 300, Argonne National Laboratory [ANL] calculated sulfur dioxide control costs to range between $4 and $14 billion per year (1985 dollars) until 2020; and decreased to zero in 2030. [3] We do not have access to any other analyses of S. 300, but its similarity to S. 2203 suggests that cost estimates for that bill may be appropriate. An EEI study reported levelized costs of S. 2203 for 20 years to be $11 to $15 billion per year. [4] These costs include sulfur dioxide and nitrogen oxides control.

With respect to S. 321, ANL calculated annual sulfur dioxide control costs between $3 and $10 billion per year from 1995 to 2020, with costs decreasing rapidly after 2020.

EEI calculated costs for both sulfur dioxide and nitrogen oxides to be $7 to $9 billion per year (1987 dollars) levelized over 20 years.[5]

REFERENCES

[1] "Analysis of H.R. 4567: National and Regional Forecasts," ICF, July 3, 1986, memorandum to Alex Cristofaro, U.S. EPA.

[2] "Economic Evaluation of H.R. 4567," Edison Electric Institute/Temple, Barker & Sloane, Inc., April 14, 1986.

[3] Telephone communication, T. Veselka (ANL) to J. Vernet (DOE), July 22, 1987.

[4] "Economic Evaluation of S. 2203," Edison Electric Institute/Temple, Barker & Sloane, Inc., September 1986.

[5] "Economic Evaluation of S. 321," Edison Electric Institute/Temple, Barker & Sloane, Inc., March 1987.

COSTS FOR EMISSION REDUCTIONS USING INNOVATIVE TECHNOLOGIES

Senator BYRD. How do the 60-year costs of each of these bills compare with the same level of reductions if they were accomplished through the deployment of technologies under consideration in the clean coal program? Would you provide that for the record?

Mr. WAMPLER. We certainly could, and one comment on that. If you compare the cost of any of these programs with clean coal technologies, the clean coal technologies seem to come out as a clear winner. Repowering applications particularly have a much lower electricity cost than if conventional technology is used, but we will submit those for the record, Mr. Chairman.

Senator BYRD. All right.

[The information follows:]

COSTS FOR EMISSION REDUCTIONS USING INNOVATIVE TECHNOLOGIES

The Department of Energy has not conducted a study of compliance costs to meet specific acid rain bills using advanced technologies. However, we have projected costs for specific technologies which yield an insight into their potential in such scenarios. In "Role of the Clean Coal Technologies" (U.S. DOE, April 30, 1987) the cost effectiveness of numerous advanced retrofitable technologies was compared to the cost effectiveness of conventional flue gas scrubbers (FGD). The results were as follows:

[Dollar per ton of sulfur dioxide]

Retrofit technology:	*Control costs*
Conventional scrubber	458–502
Advanced flue gas cleanup	350–450
Limestone injection multistage burner	175–300
Slagging combustor	50–100
In-duct sorbent injection	100–200
Advanced coal cleaning	210–900
Repowering:	
IGCC	81–278
OFBC	259–352
AFBC	323–447

These numbers suggest that a successfully completed demonstration program would substantially reduce the cost of compliance with possible acid rain control requirements. It should be noted that, for several of the advanced technologies above, reductions in nitrogen oxide are also achieved. Incorporating that factor into the cost-effectiveness numbers would result in even more attractive cost-effectiveness numbers for advanced technologies.

SCRUBBERS

Senator BYRD. Speaking of scrubbers, what is the average cost of a scrubber?

Mr. WAMPLER. I'll let one of my people answer, but the incremental cost in electricity is 9 to 11 mills per kilowatt hour which is usually the way that we compare the cost of these technologies, and you can compare that with integrated gasification combined cycles which is projected to be 1 to 2 mills per kilowatt hour.

Senator BYRD. I'm talking about the cost for installing a scrubber.

Mr. WAMPLER. Jack, do you have that?

Jack Siegel.

Mr. SIEGEL. Yes, sir; it's about $275 a kilowatt to retrofit an existing powerplant with the scrubber.

Senator BYRD. So are we talking about hundreds of millions of dollars or are we talking about billions of dollars in regard to the installation of a scrubber?

Mr. SIEGEL. On an individual plant?

Mr. WAMPLER. Nationwide.

Mr. SIEGEL. Nationwide we are talking billions of dollars, yes, billions of dollars. As Mr. Wampler mentioned, the estimates based on the initial analysis that has been done is that it would cost almost $200 billion over the 20-year period that this bill would take affect.

Senator BYRD. Yes; but for the layman what are we talking about when we talk about installing a scrubber? Are we talking about something that costs into the hundreds of millions of dollars or are we talking about something that in some instances costs $1 billion?

Mr. SIEGEL. It depends on the size of a plant. It can be up to $1 billion if it is a very, very large plant that had to be retrofitted with a scrubber.

Senator BYRD. How many scrubbers are there installed in the United States today and how many are there that are being planned, or how many programmed?

Mr. WAMPLER. We don't have the numbers with us, but there are a considerable number and we will furnish it for the record. We don't happen to have that number right with us, Mr. Chairman.

[The information follows:]

THE COST OF SCRUBBING ALL PRESENTLY UNSCRUBBED COAL UNITS

There are approximately 1,100 coal fired units in the United States which are not equipped with flue gas controls (scrubbers) for sulfur dioxide. These units total to about 230 gigawatts of capacity. Estimating the cost of retrofitting scrubbers to all of these units is very imprecise because of the highly site-specific nature of retrofitting such control systems. Additionally, many of the smaller units are relatively old, and scrubbing is not a realistic option (they would probably close down instead). However, if one assumed that scrubbers were installed on all existing units, which are not already scrubbed, then the capital cost of that program would be about $75 billion (plus or minus $15 billion) in 1986 dollars. The ultimate cost of operating the scrubbers for 20 years, including capital repayment, interest, operation and maintenance costs, would be about $250 billion (plus or minus $50 billion) in 1986 dollars.

SCRUBBERS IN CANADA

Senator BYRD. Don't you have something like 140 scrubbers in this country either in place or being programmed?

Mr. WAMPLER. It's around 150, Mr. Chairman.

Senator BYRD. How many are there in all of Canada?

Mr. WAMPLER. Zero, Mr. Chairman.

Senator BYRD. Doesn't that strike you as being somewhat significant, that the Canadians are pressing the United States to utilize scrubbers, very costly scrubbers that will have the result of increasing utility bills for residential, commercial, and industrial users and the Canadians have not installed a single scrubber?

What reaction do you have to that?

Mr. WAMPLER. Well, certainly the number is significant. I would agree with that. The Canadians have certainly made a commitment to work on their environmental problem and have a plan in place, but you are right in your number. There are no scrubbers at this point in time installed in Canada.

Senator BYRD. Do they have any sulfur emissions from their utility plants? Are there any in Canada?

Mr. WAMPLER. Yes, Mr. Chairman; I don't have the exact numbers of how many they have, but they do.

Senator BYRD. Have they agreed to or have they made commitments to install scrubbers in Canada?

Mr. WAMPLER. They have made, as I understand it, a commitment to reduce their emissions. I'm not aware that they have made the commitment for any specific type of pollution control, but they have made the commitment to reduce their emissions, and I'll be glad to furnish whatever information I have.

CANADIAN PLAN TO REDUCE EMISSIONS

Senator BYRD. How do they plan to reduce their emissions?

Mr. SIEGEL. As I understand what the Canadians are planning on doing, as part of their plan, since most of their sulfur dioxide problem is with smelters, is to control smelters.

In addition, though, they do have some coal-fired utilities that would need controlling, and I'm not exactly sure how they plan on controlling them, whether it would be through pollution control devices or fuel switching of some sort.

Senator BYRD. Well, wouldn't it be well for us to find out since we are the subjects and targets of considerable criticism from the Canadians?

Mr. WAMPLER. They have recently provided us with this information that we'll be glad to pass it along, Mr. Chairman.

[The information follows:]

THE CANADIAN ACID RAIN CONTROL PROGRAM

The Canadian Air Pollution Control Program was described in a report sent by Secretary Herrington to Representative John Dingell on July 10, 1987, a copy of which is being provided for the committee files. Relavant portions of that report are summarized below.

The Canadian commitment is reflected in the control progress that they have already made, and by their plan for the future. Between 1970 and 1984, Canada decreased sulfur dioxide emissions by 41 percent. For eastern Canada, which is most relevant to acid deposition concerns, emissions have likewise decreased by about 40 percent. The Canadian reduction is led by nonferrous smelters, which reduced emissions in eastern Canada by 54 percent. However, powerplant sulfur dioxide emissions in eastern Canada have increased by 54 percent. There are no flue gas control devices for sulfur dioxide on Canadian powerplants. (In contrast, U.S. sulfur dioxide emissions decreased by 26 percent between 1970 and 1985. Smelter emissions were down 79 percent, powerplant emissions decreased by 17 percent.)

With respect to the future, Canada has announced a program to reduce sulfur dioxide emissions in the eastern provinces by 50 percent by 1994. The reduction is relative to emission levels that sources were allowed to emit in 1980. The reduction, relative to actual 1980 emission rates is about 35 percent. Most Canadian provinces have agreed to a share of this reduction total, but individual source plans are largely unavailable or uncertain. With regard to control of nitrogen oxide emissions, the only standards imposed by Canada due to acid rain concerns relate to mobile sources. Effective September 1, 1987, new motor vehicles sold in Canada will have to meet the same stringent standards which the United States has imposed for some time.

We do not have information regarding the cost of the Canadian control program.

CANADIAN PLANS FOR INSTALLING SCRUBBERS

Senator BYRD. They are very eagerly pressing for legislation here that would control sulfur emissions even though it may be exorbitantly costly in terms of jobs, utility rate increases, and so on.

It strikes me as being rather interesting that the Canadians have not a single scrubber in place in their country. Are any planned, are any scrubbers planned?

Mr. WAMPLER. So far as I know, there are no scrubbers planned.

Senator BYRD. And yet in our country we are going to great lengths and great costs in the installation of scrubbers.

Do you have any estimates as to the impact on jobs that the control approach would have compared to the clean coal deployment approach?

IMPACT OF CONTROL PROGRAM ON JOBS

Mr. WAMPLER. Mr. Chairman, we haven't done a formal study on the impact of the program on jobs, scrubber versus the clean coal program, but I can intuitively tell you that it would seem to be reasonable that a rational technological approach would certainly not cause the difficulty that using a scrubber approach and fuel switching would produce in terms of employment.

Senator BYRD. Do you have some estimate of the jobs that would be lost if these pieces of legislation, any one of them that I've mentioned were to become law?

Mr. WAMPLER. At this point, Mr. Chairman, we have not done a job estimate.

Senator BYRD. Would you supply that for the record?

Mr. WAMPLER. Yes, sir; we will.

[The information follows:]

IMPACT OF ACID RAIN CONTROL PROGRAMS ON JOBS

There are at least three types of impacts that an acid rain control program can have on jobs. The first is the direct impact on coal mining employment caused by a shift from higher to lower sulfur coals. This impact has received the greatest attention. A second impact is the indirect impact of shifts in coal miner employment. Mining is a base industry and base industries generate secondary jobs in the local economy. The third type of impact is the employment impact of higher electricity prices.

The Department of Energy has only limited information regarding the employment impact of acid rain legislation. In an analysis of H.R. 4567 by Argonne National Laboratory, northern Appalachia and the Midwest both suffered decreases in mining employment relative to a no bill baseline (15,000 and 12,000 jobs, respectively, in 1997). Central Appalachia enjoyed a mining job increase of 22,000 in 1997. In an analysis of H.R. 4567 prepared by EPA (Analysis of H.R. 4567, ICF, Inc., July 3, 1987) mining jobs were displaced from both northern Appalachia and the Midwest (30 to 50 million tons per year of coal for northern Appalachia; 50 to 70 tons per year of coal for the Midwest) and absorbed by central Appalachia and the West (30 million tons per year for central Appalachia; 50 to 60 million tons per year for the West).

The Department does not have data on the expected secondary employment impacts of these changes in mining industry employment. Typically, multipliers of three jobs per base employment job are used for such estimates. Likewise, the Department has no current estimates of the potential employment impacts caused by the higher electricity prices resulting from acid deposition legislation. However, it should be recognized that such impacts can derive both from job losses in electricity intensive industries, like aluminum smelting and chlor-alkali production, but also from the depressing effect of higher prices of any commodity (like electricity) on the general economy.

Employment changes related to advanced technologies have not been analyzed, and are not likely to be analyzed in the future. Generally speaking, technological solutions, especially advanced control systems, are not sensitive to coal quality, so they should promote no significant shift in mining employment. In addition, any general economic employment impacts related to use of advanced technologies to reduce acid deposition should be less than the economic impacts resulting from conventional technology, since advanced technologies are projected to be less expensive.

IMPACT ON CONSUMER RATES

Senator BYRD. How might the consumer rates for electric power differ under these two approaches?

Mr. WAMPLER. I would like Jack Siegel, please, with your permission, to answer that question.

Senator BYRD. Mr. Siegel.

Mr. SIEGEL. Thank you. Clearly in our opinion, going the clean coal technology route would be much more advantageous than with acid rain legislation.

As was mentioned, acid rain legislation would cost several hundred or a couple of hundred billion dollars over 20 years to just control emissions and, as Mr. Wampler has stated, it would only be a temporary fix of the problem. Estimates that we've done and estimates that we know others have done show that acid rain legislation would result in a very rapid reduction of SO_2 emissions, but because the limited resources that are available would be utilized for the control of pollution as required by law, they would be diverted from the development of new technology.

So as time goes on and new plants are built, they would be built using old technology and emissions would come back up. Going the clean coal technology route, on the other hand, is advantageous from a cost perspective.

We estimate that the cost of repowering an existing plant with an integrated gasification combined cycle, for example, probably would be considerably less than extending the life of that plant and building a new powerplant in its place. In addition, it would result in very significant emission reductions that would be permanent reductions in emissions.

So the cost to the consumer, in our estimate, would be considerably improved by going with the clean coal technology route.

Senator BYRD. Could you be more specific about the rate differences among the various regions? How would the rates differ in the Midwest, the Northeast, the Southeast, and the North Central?

Mr. SIEGEL. I'm sorry, at this time I don't have that information available. I can just give you a qualitative assessment that rates would be lower everywhere as these new technologies develop.

Mr. WAMPLER. Mr. Chairman, we do have some results from a study that was done by Argonne National Laboratory that assumed two scenarios. One was that the costs were passed on as equal rate increases for all users, and the second was that costs were reflected only in residential rate increases.

For the first case, Indiana and Missouri would see average rate hikes above 6 percent, while 13 States would have increases of at least 1 percent.

In the second case residential rates would be greater than 10 percent for six States, Illinois, Indiana, Missouri, Ohio, Pennsylvania, and West Virginia. In other words, the principal cost burden would fall on consumers in the Midwest.

Senator BYRD. Would you speak a little louder, please.

Mr. WAMPLER. The principal consumer cost burden would fall on the Midwest, and for S. 321 the total levelized cost of controls has been estimated, but not the consumer rates. Of the $8.8 billion annual cost, nine States would have annual costs exceeding $400 million, and those nine States are Georgia, Indiana, Kentucky, Michigan, Missouri, Ohio, Pennsylvania, Tennessee, and West Virginia.

Senator BYRD. That would be under the passage of which piece of legislation?

Mr. WAMPLER. Under S. 321.

Senator BYRD. What would it be in West Virginia under that regime?

Mr. WAMPLER. We don't have that broken out to West Virginia, with the exception of that it is greater than 10 percent.

Senator BYRD. What about the other Senate bills?

Mr. WAMPLER. We haven't done that study on these at this point in time, but they are underway. We are doing those now and we will be glad to furnish those when they are finished, Mr. Chairman.

Senator BYRD. Very well. If you please, submit to the subcommittee that information.

[The information follows:]

IMPACT OF ACID RAIN CONTROL PROGRAMS ON ELECTRICITY PRICES

Several analyses have examined the impact of acid rain legislation on electricity prices. Because of different assumptions and analytical approaches, the results vary considerably. Ranges from several analyses are presented below.

Bill/region	Impact on consumer prices (percent increase)		
	ANL[1]	TBS[2]	ICF
H.R. 4567:			
Northeast	<1	<1	1-3
Southeast	1	13	2-5
Midwest	3	10-17	5-10
North Central	<1	3	0-3
Northwest	<1		
Southwest	<1		
S. 321:			
Northwest	4	1	
Southeast	16	11-13	
Midwest	21	16-17	
North Central	18	2	
Northwest	2	3	
Southwest	4	0-2	

[1] Argonne National Laboratory.

[2] Temple, Barker & Sloane.

To facilitate comparisons, regions were represented by data for one State. The States were as follows: Northeast—Massachusetts; Southeast—Georgia; Midwest—Ohio; North Central—Montana; Northwest—Washington; and Southwest—Arizona.

The Department does not have a consumer cost impact analysis for S. 300.

The consumer electric rate impact of an acid rain control strategy employing advanced technologies has not been evaluated by the Department. However, with costs for several advanced technologies expected to be less than one-half the cost of conventional flue gas scrubbers (in dollars per ton of sulfur dioxide collected), the impact of advanced technologies on electric rates should be considerably less than the impacts presented above for conventional technologies.

ANALYSIS OF LEGISLATION

Senator BYRD. It seems to me that if we are going to attempt a comparison of the costs, the advantages, the problems, the benefits, and the disadvantages in going one way as to going the other, the clean coal technologies or the passage of these bills that would impose upon industries very costly equipment which would result in utility rate increases, the losses of jobs and have a severe impact upon the competitive position of many manufacturers and industries, such as the chemical industry, the plastics manufacturers and so on, that we ought to have these answers that I'm talking about.

If we are going to have to deal with legislation or be faced with dealing with legislation that's going to impose these colossal costs upon industries, people, and residential users and that is going to have these impacts on jobs and so forth in the United States, and in the face of the constant criticism and pressure from the Canadians, it seems to me that we ought to be getting some information here that will prepare us to refute much of this information or misinformation, whatever it is.

I think we ought to have the facts, and we ought to be able to state what scrubber costs will be and how many scrubbers the Canadians have when they are pointing the finger at us and telling us to install scrubbers, how many do you have and what are you doing, what are you doing to control the sulfur emissions in your part of the country.

And let's also try to find out what kind of an impact this is going to have on Appalachia and on the various regions that I've mentioned here and other regions that I did not mention. What is the cost from the standpoint of utility rates and rate increases in those regions so the people in those regions will know the kind of bills they are going to have to pay if this legislation should ever be enacted.

It seems to me that those people in the various regions through their Senators and Representatives are entitled to know, and not only entitled to know, but ought to know what the cost of this legislation is going to be upon their regions, upon their jobs, upon their industries, and upon their manufacturers if these emission control bills are enacted.

ANALYSIS BY ELECTRIC POWER RESEARCH INSTITUTE

Some members maintain that the Clean Coal Technology Program would have little or no impact on emission reductions in the absence of control legislation. They apparently believe there would be no incentives for utilities to make any changes unless they are forced to make the changes.

On the other hand, recent analysis by the Electric Power Research Institute, EPRI, supports my contention that while the Clean Coal Technology Program may not cause the immediate large reductions associated with some of the proposed control programs such as H.R. 4567, clean coal would deliver much greater reductions over the mid- and long-term than controls would.

Senator BYRD. Have you had an opportunity to review the analysis to which I have referred?

Mr. WAMPLER. Yes, Mr. Chairman; I have reviewed the charts and they have also been reviewed by the analysts at Argonne Laboratory and the data they came up with looks very much like EPRI's data. So I have confidence that they are well within the ball park.

And I certainly agree with you that the market advantages of many of these technologies will be sufficient to move them into commercial use without the need for more stringent control legislation, and Mr. Siegel addressed that in an earlier response with all the reasons why.

Senator BYRD. So you agree then with EPRI's findings that because many new technologies are inherently both more efficient and much cleaner than present commercial powerplants, that economics coupled with initial development incentives will cause the utilities to make significant reductions in emissions?

Mr. WAMPLER. Yes; I do, Mr. Chairman, and let me expand on that for just a minute. Those people that claim that utilities have no incentive to adopt any of the new clean coal technologies unless they are required to by control legislation are simply not familiar with the real world of utility decisionmaking.

Utilities today are beginning to face a dual problem, and those problems are aging powerplants and a potential long-term need for increased power generating capacity. There are 410 units of uncontrolled coal-fired utility capacity in the eastern United States that are larger than 100 megawatts, and those units were placed in service from 1955 to 1975, and together they were responsible for nearly 10 million tons of sulfur emissions in 1980.

And beginning in the mid-1990's, utilities are going to have to make some fundamental choices about many of these units, whether to patch them up and keep them running or whether to retire them.

I think with the clean coal technologies that are being developed, if we meet that window of opportunity, which we have every confidence that we can, these things will be deployed based on the fact that the demand for electricity is going to be growing at the same time and that reserve margins are going to be declining.

Some of the clean coal options permit utilities to solve some of these problems at one time. To give you an example, a plant that has been refurbished with PFB can increase its power output 30 to 50 percent and with gasification can go as high as 150 percent.

So the utility extends the life of existing plants, meets the increasing power demand and makes extremely significant reductions in emissions. That's why I think the marketplace will work for these technologies without the emissions standards.

Senator BYRD. So it would be then in the best interest of the utilities, and cleaner air would be the byproduct of the logical utility investment decisions in these more efficient repowering or new generating technologies.

IMPACT ON EMISSIONS OF CONTROL BILLS

Now let's look at the other side of the coin. If controls such as those envisioned in S. 300 and S. 321 or H.R. 4567 were legislated for the mid-1990's, what impact would that have over the emissions, let's say over the next 50 years?

Mr. WAMPLER. I would be pleased to provide you with what we have, Mr. Chairman, but we only have rough estimates again, but I believe one very important factor becomes evident. All of the bills that we are talking about would cause substantial reductions by 1995. But by the year 2025 they would stop providing any differential emission savings at all. This is because the self-regulated plants will have reached retirement.

In fact, in every case emissions would eventually start upward again and by the year 2030, there would virtually be no difference between the legislative reductions and the baseline estimates except, of course, that the Nation would have spent many billions of dollars.

However, where clean coal technologies have been used for modernization and for new facilities after 1995, the emissions past the year 2000 would be lower than the base projections and would continue to drop past the final projection of the year 2030. That is what I meant earlier when I said that clean coal technologies can fix the acid rain problem and not just patch it.

Senator BYRD. The Clean Air Act is working, isn't it?

Mr. WAMPLER. Yes; it is.

Senator BYRD. Can you give us an idea of how much the Clean Air Act itself has reduced the sulfur emissions and the nitrogen oxides say in the last 10 or 15 years?

Mr. WAMPLER. We'll find that figure, but while Dr. Siegel is finding that figure, it is working and it is still working. The estimates that I've seen this year and the documentation I've seen this year shows still further SO_2 reduction which nobody predicted.

Nationwide there has been an 11.4-percent reduction in SO_2 emissions since 1977, and again the trend continues downward.

There has also been, in terms of utility expenditures, some $60 billion spent to clean up the air and this does not include expenditures for research.

Senator BYRD. Would you provide for the record information graphs and statistics indicating the total emission levels assumed throughout the next 50 years for each of the legislative control proposals?

Mr. WAMPLER. Yes, Mr. Chairman; we'll be glad to.

[The information follows:]

PROJECTED SULFUR DIOXIDE EMISSION LEVELS UNDER THREE ACID RAIN CONTROL BILLS

Argonne National Laboratory has projected emission estimates for three acid rain bills (H.R. 4567, S. 300, and S. 321). These three projections are included in figure 1.

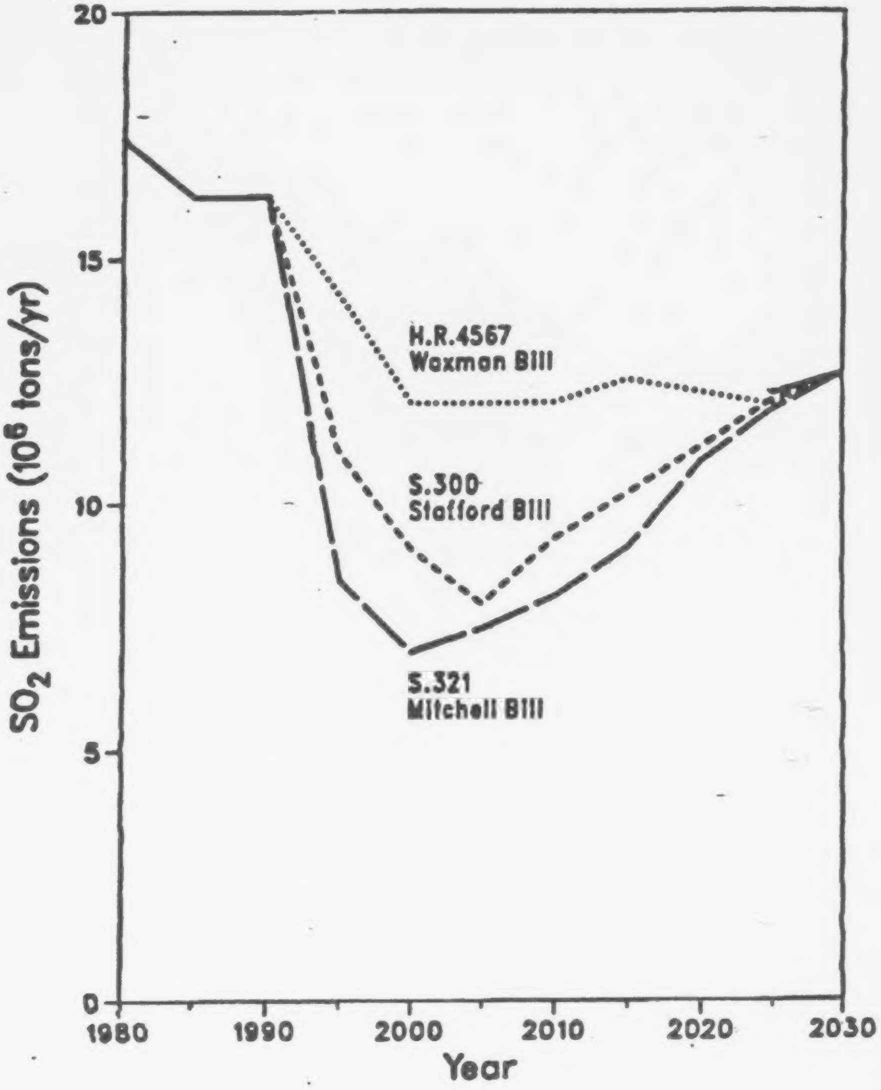


FIGURE 1.

INCENTIVE FOR INSTALLING SCRUBBER

Senator BYRD. Some argue that controls should be imposed in the 1990's and that when clean coal technologies become commercially available, they will just be icing on the cake.

Does this tandem approach make sense? In other words, if these legislative proposals are enacted and controls are imposed on existing plants, do you think that the utilities will be locked in then to the existing technology, such as scrubbers? In other words, if they are going to have to spend all this money on scrubbers, and the utilities get locked in, what incentive then is there for them to spend moneys in installing the clean coal technology equipment?

Mr. WAMPLER. I think there would be no incentive. I think that you are exactly right. If controls are imposed on existing plants no matter how they are phased, utilities will opt for existing technology, and for most of them that means scrubbers.

I think it would have a dampening effect on clean coal technology and it would siphon away the necessary resources because we must remember that these clean coal projects are cost shared, at least by 50 percent, by the private sector. Utilities could be forced to install scrubbers on plants that might, in a few years, be candidates for repowering and all the increased efficiency that goes with that.

Clearly a utility could not do both, and, therefore, for those plants that are fitted with scrubbers, we would certainly lose the benefits offered by repowering and it would be an extremely expensive proposition as we have discussed earlier.

COST OF INSTALLATION

Senator BYRD. You spoke a little earlier, did you not, of the cost of the installation of scrubbers in the United States? Did your refer to something like a $200 billion investment?

Mr. WAMPLER. Around $150 billion, as I recall, is what the total cost could be.

Senator BYRD. Over the next how many years?

Mr. WAMPLER. Ten to twenty years.

Senator BYRD. $150 billion. That would take about 6,000 years counting $1 per second, wouldn't it? [Laughter.]

Mr. WAMPLER. Mr. Chairman, my mathematics is not as fast as yours. [Laughter.]

Senator BYRD. $150 billion is a little less then one-sixth of $1 trillion, $150 billion, and a little less than one-sixth—how many thousand years did I say a moment ago it would be?

Mr. WAMPLER. 32,000.

Senator BYRD. 32,000 years. So roughly it would take about 6,000 years to just count the cost of the scrubbers with $150 billion at $1 per second.

Would a control program preclude the widespread commercialization of clean coal technologies. I think we've gone over this, but the utilities wouldn't have a lot of money left I presume to invest in new and more efficient coal technology plants, and a large number of existing candidates for repowering would already have been forced to convert to inefficient or less efficient scrubber systems, would they not?

Mr. WAMPLER. Yes, sir; you are exactly right.

Senator BYRD. Now there are those who maintain that a control program such as those envisioned in S. 300, S. 321, and H.R. 4567 would automatically create a market for clean coal technologies and cause their commercialization.

What is your reaction to that?

Mr. WAMPLER. We don't think it is very likely. Utilities historically, and we see no reason to change our opinion, will generally take the more cautious route, particularly if they have to meet a regulatory requirement, even though that more cautious route is more costly and less efficient, and we feel that that absolutely would inhibit the development and commercialization of new technologies.

Senator BYRD. Are there any particular technologies that are emerging as clear winners in terms of economic and environmental performance?

TECHNOLOGY COSTS

Mr. WAMPLER. Mr. Chairman, we feel they are all very promising, but for different applications. We feel that it is going to be necessary to develop a suite of these technologies because of siting requirements for repowering and for in some cases retrofit and for new sources of performance standards.

And if you look at these technologies in terms of a comparison of cost to conventional wet scrubbers, they all clearly come out winners in terms of mills of cost per kilowatt hour of electricity generated for the consumer.

Senator BYRD. How do the various technologies compare in terms of cost, some such as the repowering technologies, for example? Do they have high capital costs and, if so, is that offset by increased efficiency?

Mr. WAMPLER. Some of the repowering technologies do have high capital costs, but they are certainly more than offset by increased efficiencies, and if you look at integrated gasification combined cycle and the incremental cost of 1 to 2 mills per kilowatt hour versus what a scrubber costs in 9 to 11 mills per kilowatt hour, you can readily see that the initial high cost is more than offset by the increased efficiency.

COSTS TO CONSUMERS

Senator BYRD. So, in some of them, the cost to the consumer would be higher or would be lower than in others, and where there is a lower cost to the consumer, is that a reflection of increased power generation efficiency would you say?

Mr. WAMPLER. Yes, Mr. Chairman; it is.

Senator BYRD. I will submit questions with respect to specific programs and projects and technologies and you can supply the responses for the record.

LOW SULFUR COAL ISSUE

Shifting to more political concerns I detect an attempt by some to persuade Senators from States with mostly low sulfur coal to oppose the Clean Coal Technology Program, the assumption apparently being that in the absence of new technologies high sulfur coal markets would be fertile ground for low sulfur market sellers if an emission control program were legislated.

Is not low sulfur coal just as dependent as high sulfur coal on new clean coal technologies for the reduction of nitrogen oxides?

Mr. WAMPLER. Yes, Mr. Chairman; they are and NO_x is a problem that we certainly cannot afford to ignore in any solution that we attempt to devise.

Conventional scrubbers buy you no reduction in NO_x, and several of the new clean coal technologies certainly do, and I think that the low sulfur coal producers are taking a very shortsighted approach when they fight the Clean Coal Technology Program.

I think that they also ignore the fact that in the utility world you get the increased efficiency of some of these technologies. So I think it is a very shortsighted kind of an opinion that they have.

Senator BYRD. Senators from low sulfur States then are working against their own interests if they oppose the Clean Coal Technology Program, would you not agree?

Mr. WAMPLER. Well, I think again it's shortsighted to take the approach of not recognizing that there are some inherent advantages to the technologies that don't exist with scrubbers.

CLEAN COAL TECHNOLOGY DEPLOYMENT ACT

Senator BYRD. Last March, as I indicated earlier, I introduced S. 879, the Clean Coal Technology Deployment Act.

Have you reviewed this bill?

Mr. WAMPLER. Certainly, Mr. Chairman. We have reviewed the bill at length.

Senator BYRD. Would the proposed financial and regulatory incentives have a significant impact on accelerating the introduction of clean coal technologies?

Mr. WAMPLER. Yes, Mr. Chairman; we feel that regulatory incentives would be very important for the deployment of these technologies.

Senator BYRD. Do you believe that a deployment program is necessary?

Mr. WAMPLER. Yes; we do, Mr. Chairman. The administration has recognized that with the regulatory task force and we have indicated that we do feel that just developing technologies will not be sufficient to guarantee the deployment of the technologies.

Senator BYRD. So the task force on regulatory relief has come to that conclusion, has it?

Mr. WAMPLER. Well, I think that conclusion was probably reached even before the regulatory task force met. I think that was reached by the President when he appointed the task force. So we do feel that some sort of a deployment package is necessary.

AMENDED BUDGET REQUEST

Senator BYRD. Let's turn now to the specifics of the President's recently amended budget request of $2.5 billion over 5 years for clean coal technology.

As we had discussed earlier, generally in conformance with the special envoys recommendation, the President is proposing a program of narrower scope than the first nine projects that were selected under the congressionally initiated program.

First, the President proposed that the full budget request of $500 million per year be provided at once in fiscal year 1988, with advance appropriations made for fiscal year 1989, 1990, 1991, and 1992.

What are the advantages of providing all these funds by advance appropriation?

Mr. WAMPLER. I think there are two reasons, Mr. Chairman.

First, it demonstrates the administration's commitment to this program clearly.

Second, it gives industry the confidence that if we are going to ask them to put up a 50-percent share of the costs, that the Federal share will be there. I think that is very important if we are to attract widespread participation by industry.

Also, if we are going to meet the window of opportunity in the mid-1990's that we keep talking about, I think a large solicitation for uncovering a broad spectrum of technologies is certainly to our benefit.

Senator BYRD. The element of predictability would be there for the private sector then you're saying?

Mr. WAMPLER. Absolutely, yes.

Senator BYRD. How would Congress monitor and control the use of these funds if it relinquishes the annual appropriation of the funds?

Mr. WAMPLER. Well, Mr. Chairman, in this case we are certainly prepared to submit to Congress a yearly status review of the program and plans for the future program as part of our annual budget submission.

We would then structure future solicitations based on guidance received from Congress as part of the appropriations process. So I see Congress playing a very integral role both in oversight and in helping to shape the program in future years.

Senator BYRD. Do you think that $2.5 billion over 5 years is an appropriate amount in view of the need and in view of the capabilities of implementation?

Mr. WAMPLER. We do, Mr. Chairman. The recent statements of interest that we solicited—and that was conducted when we were projecting that only $350 million would be available over 5 years, and I think that had some dampening effect on the process—still attracted perspective projects totaling more than $5 billion. I think there are enough good projects either ready to be demonstrated or coming up through the development pipeline to warrant the $2.5 billion figure.

Senator BYRD. So it's clear that the funds can be obligated over the 5-year period?

Mr. WAMPLER. I believe they can, Mr. Chairman.

Senator BYRD. And it would be the President's intention that the funds, in fact, would be obligated over the next 5 years?

Mr. WAMPLER. Yes; it is. We are serious about carrying out the program within this timeframe, and while we are certainly not going to be spending money just for the sake of spending money, we believe we can make constructive expenditures in that period of time.

Senator BYRD. Would you provide for the record an estimated annual outlay profile for these funds and indicate any underlying assumptions?

Mr. WAMPLER. We will, Mr. Chairman.

[The information follows:]

ESTIMATED OUTLAYS FOR $2.5 BILLION CLEAN COAL PROGRAM

The following table provides the estimated annual outlays for the entire clean coal request of $2.5 billion. The estimates were based on historical assumptions from lessons learned on similar major projects of this nature. Our fiscal year 1988 outlays are based on the fact that the award for design and construction of the projects in CCT-I will be made in fiscal year 1988 with corresponding outlays occurring in late fiscal year 1988. Additional outlays will occur because the number of projects increase as the program expands with the second round of solicitations beginning in fiscal year 1988.

ASSUMPTIONS

CCT-I

(1) Extended negotiations for CCT-I. Negotiations will be completed by September 30, 1987) for all nine projects.

(2) All contract awards will be made in fiscal year 1988. However, obligations will occur in phases (I, II, or III).

(3) Most construction OBS will occur in fiscal year 1988.

(4) For display purposes overrun contingency is shown as utilized in fiscal year 1989.

ICCT

(1) Project solicitation no earlier than fall of 1987: Selection—spring and summer (fiscal year 1988); award fall 1988 (fiscal year 1989).

(2) Project duration 4 to 5 years (including operations).

(3) Some construction commences (obligations in fiscal year 1989).

ICCT BALANCE

(1) OBS occur quicker because lessons learned provide better more efficient negotiation, award, design, and construction process.

(2) Annual solicitations (total of three).

(3) Generally, in ICCT/ICCT balance, design equals 15 percent of total project, construction 60 to 65 percent and operations 20 to 25 percent.

ASSISTANT SECRETARY FOR FOSSIL ENERGY
CLEAN COAL TECHNOLOGY/INNOVATIVE CONTROL TECHNOLOGY
(000'S)

SOLICITATION	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990 A/	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	TOTALS
CCT #I												
ENACTED AMOUNT	400,000											
ROUND I AMOUNT	100,000	150,000	150,000	0	0	0	0	0	0	0	0	400,000
LESS:GENERAL REDUCTION (INTERIOR APPROP.)	600	900	900	0	0	0	0	0	0	0	0	2,400
LESS:SBIR	1,224	1,839										3,063
AMOUNT AVAILABLE	98,176	147,261	149,100	0	0	0	0	0	0	0	0	394,537
OBLIGATIONS	404	32,444	275,559	69,249 B/	16,881	0	0	0	0	0	0	394,537
OUTLAYS	259	7,617	73,251	124,525 B/	91,150	59,686	31,796	5,122	1,131	0	0	394,537
ICCT												
AMOUNT AVAILABLE	0	0	350,000	500,000	0	0	0	0	0	0	0	850,000
(ORIGINAL FY88 BUDGET)			(50,000)	(100,000)	0	0	0	0	0	0	0	(150,000)
OBLIGATIONS	0	0	18,000	146,000	360,000	226,000	60,000	40,000	0	0	0	850,000
OUTLAYS	0	0	15,000	124,000	205,000	308,000	148,000	43,000	7,000	0	0	850,000
ICCT BALANCE												
AMOUNT AVAILABLE	0	0	0	0	500,000	500,000	500,000	0	0	0	0	1,500,000
(ORIGINAL FY88 BUDGET)	0	0	0	0	(50,000)	(100,000)	(50,000)	0	0	0	0	(200,000)
OBLIGATIONS	0	0	0	0	225,000	405,000	500,000	370,000	0	0	0	1,500,000
OUTLAYS	0	0	0	0	150,000	272,000	404,000	275,000	170,000	180,000	49,000	1,500,000
TOTALS												
BUDGET AUTHORITY	98,176	147,261	499,100	500,000	500,000	500,000	500,000	0	0	0	0	2,744,537
OBLIGATIONS	404	32,444	293,559	215,249	601,881	631,000	560,000	410,000	0	0	0	2,744,537
OUTLAYS	259	7,617	88,251	248,525	446,150	639,686	583,796	323,122	178,131	180,000	49,000	2,744,537

A/ ALL AMOUNTS IN FY 1990 AND LATER ARE GUESSTIMATES
B/ INCLUDES $25.952 MILLION FOR THE CONTINGENCY OVERRUN RESERVE

TIMETABLE FOR SOLICITATION

Senator **Byrd**. The revised justification indicates that the first project solicitation totaling $850 million would be issued in the fall of 1987 with project selections to be made in the early spring of 1988.

Given your experience with clean coal I, when do you anticipate that the earliest financial awards could be made under this program?

Mr. **Wampler**. I could see actual awards taking place late next year. Our experience to date tells us that negotiations of cooperative agreements will likely last 6 months or longer.

So assuming selection by the spring of next year, we could be making actual awards late next year. We also, as a matter of information, are looking very strongly and very carefully at lessons learned in the first solicitation in trying to streamline our process to take care of the second selection if Congress approves the funds.

Senator **Byrd**. What are your plans for subsequent solicitations, how would they be designed and what would be their size and timing?

Perhaps you would like to elaborate on that for the record.

Mr. **Wampler**. Well, we have not laid out a precise timetable or scope for subsequent solicitations after the first one. What we would like to do is to build on our experience gained as we go through this process and remain very flexible, and part of that flexibility is required by looking at technologies that are coming on line.

We also consider this innovative control technology advisory panel to be very important. The President directed that it be established, and we have established it and we would certainly like to take into account their advice to the Secretary.

And, last, we want to certainly assure you that this annual review process with Congress becomes part of this process and we would take that input into account with future solicitations.

Senator **Byrd**. With respect to staffing the clean coal program you are asking for a net increase of 51 FTE's for fiscal year 1988. I'm very much interested in the Morgantown Energy Technology Center and also the Pittsburgh Center. How will these additional positions be allocated?

Mr. **Wampler**. I would like Jerry Walsh to answer that.

Mr. **Walsh**. We have not distributed the requested increase in FTE's yet to Morgantown or Pittsburgh or headquarters.

Senator **Byrd**. Supply those for the record, will you.

[The information follows:]

ALLOCATION OF FISCAL YEAR 1988 REQUESTED FTE'S FOR CLEAN COAL

The fiscal year 1988 President's budget request included 58 FTE's for the Clean Coal Technology Program. The preliminary distribution of the requested FTE's is as follows:

Legal, procurement, and environmental support—Headquarters	7
Headquarters program and management support	16
METC project management	12
PETC project management	12
Undesignated, related to second solicitation awards	11
Total	58

The clean coal related FTE's included in the R&D programs for fiscal year 1988 are planned for distribution as follows:

Headquarters programs and management support	4
METC project management	13
PETC project management	13
Total	30

ROLE OF THE ENERGY TECHNOLOGY CENTERS IN THE PROGRAM

Senator BYRD. What specific activities would be performed at the technology centers and what would be the headquarters role?

Mr. WAMPLER. Currently we feel that the energy technology centers should be the project implementation arm of the Clean Coal Technology Program and should actually manage the projects. They should be involved in all aspects of the projects, including negotiation.

We would see headquarters in the second solicitation taking a more active role in negotiation. That would be the only major change from clean coal technology I.

We are looking at the possibility of having negotiating teams made up by energy technology centers and headquarters. This is not all etched in stone at this particular point in time. We are still looking at lessons learned and will be developing our final process prior to the solicitation going out this fall.

As soon as we get everything developed, we would be very glad to furnish you that information for the record, Mr. Chairman.

Senator BYRD. Please do that.

FOSSIL ENERGY RESEARCH AND DEVELOPMENT BUDGET

Earlier I indicated that the administration's request for fossil energy research and development funding in fiscal year 1988 was $149.9 million which is essentially 50 percent of the appropriation for the current year.

Given the fact that nuclear energy is not an option for new power generation at the present time, that hydropower can't be expanded significantly in this country and that solar energy is not yet economical, what other domestic energy source does the Nation have to rely on other than coal, oil, and natural gas?

Mr. WAMPLER. I think coal and the hydrocarbons generally are what this Nation will rely on for the foreseeable future, Mr. Chairman.

Senator BYRD. Would you say that again?

Mr. WAMPLER. I think coal and other hydrocarbons are certainly the energy sources that this Nation will rely on for the immediate future and long term for coal.

Senator BYRD. And there is no other domestic energy source, is there?

Mr. WAMPLER. Not of that magnitude at this point in time, certainly.

Senator BYRD. Under these circumstances, what is the rationale then for reducing fossil energy research by 50 percent while the administration continues to request nuclear power related funding in excess of $840 million?

Mr. WAMPLER. Mr. Chairman, what we attempted to do is in times of fiscal constraint in the fossil area was to maintain a core budget that was reasonable. There are certainly many more good projects out there than we can afford to fund and we felt as we submitted our budget it was one that was defensible in terms of both balance and maintaining a core program.

Senator BYRD. But it isn't defensible when you talk about reducing fossil energy research 50 percent and you talk about reducing nuclear 5 percent. What is fair and equitable about that?

Mr. WAMPLER. Well, we go through a system of establishing program priorities at the Department and that budget was certainly prepared as a part of that process.

I think that we also are fortunate in having a clean coal program that we can look forward to. We do not intend that to supplant conventional R&D, but I think it can certainly supplement and complement the conventional R&D.

Senator BYRD. It can do what?

Mr. WAMPLER. It can certainly complement the conventional R&D. I think it certainly takes both for a program to address the environment.

Senator BYRD. Well, you have explained that it's part of the process and all that, but that's not what I'm asking. What is there fair and equitable and reasonable and justifiable by common sense about reducing your fossil energy research and development funding by 50 percent, which amounts to, I believe I said $149.9 million, and we have nuclear power related funding in excess of $840 million. Why not cut that at 50 percent, too, and why not reduce that enough at least to restore the 50-percent reduction in fossil energy? That would only take $149 million, and that would bring it down to about $700 million or maybe $690 million, and wouldn't that be enough? Let's make that $690 million and add the $150 million back onto fossil energy.

Mr. WAMPLER. Well, my concern, Mr. Chairman, and certainly I'm trying my best to answer your questions, but my concern is certainly, within the constraints under which we work, to try to maintain a balanced R&D program in fossil energy.

Senator BYRD. But that's not what you're doing. You are not maintaining a balance. When you reduce it 50 percent, what kind of a balance are you maintaining? When you take the left hand off and you only leave the right, what kind of a balance is that?

Mr. WAMPLER. Well we attempted to maintain that balance, Mr. Chairman. The items that we had proposed for deletion included some projects that were winding up, a couple that we considered to be not affordable and some projects that we thought were on their way to becoming commercial and we tried to suggest our cuts from that standpoint, and that's what I mean by attempting to keep a balance in the program, and we did attempt to do that.

Senator BYRD. I have a hard time understanding the administration's priorities given the energy potential of the different fuels. I'm not necessarily criticizing you or necessarily criticizing nuclear energy.

MORGANTOWN ENERGY TECHNOLOGY CENTER

I understand that as one of your first acts as Assistant Secretary you went to the Morgantown Energy Technology Center for a series of briefings and a familiarization tour. That's a great center over there and they are doing important work, and I believe there are more than 500 Federal and contract employees there.

What actions are you taking to strengthen the role of the Morgantown Energy Technology Center in the overall fossil research program?

Mr. WAMPLER. Well, Mr. Chairman, I share your opinion of the Morgantown Center, there are some very dedicated people there and they produce some very fine work. I can see the Morgantown Center as doing nothing but certainly prospering under clean coal.

There will be as the clean coal program funds increase, if it's approved by Congress, an increase in the numbers of people in Morgantown to work on those projects in the implementation phase.

Again, Morgantown is a very strong center and it does an extremely good job, and I think that overall we have tried to be very supportive of Morgantown, and of Pittsburgh also.

Senator BYRD. Can you indicate at this time what the increase in the number of employees will be?

Mr. WAMPLER. We haven't worked the spread out on those employees, but it will be very soon. It depends on congressional approval of the program, but as soon as we can work that out I'll be glad to furnish that for the record, Mr. Chairman.

Senator BYRD. Indicate the number of employees you have in mind.

MORGANTOWN ENERGY TECHNOLOGY CENTER BUILDING DESIGN

Also, I have observed that a number of employees at the center are working in temporary trailers and very cramped headquarters otherwise. The fiscal year 1986 Department of the Interior and Related Agencies appropriation bill provided $500,000 for the design of a new administrative wing at the Morgantown Center. The administration proposed to defer these funds, and this deferral was overturned last summer in the fiscal year 1986 supplemental appropriations bill.

Can you state what the status is of the building design and when the design will be completed?

Mr. WAMPLER. Mr. Chairman, the design is underway. A conceptual report was submitted to me in March 1987, and subsequently has been submitted to the Office of Project and Facilities Management for their review. The final conceptual design will be completed in approximately

January or February 1988 and will incorporate the final architectural engineering design schedule to be completed in about January 1988.

The Federal project cost is estimated to be around $13 million at this point in time, and no fiscal year 88 funds were requested in the congressional budget as the original schedule for the construction of this project was to be in 1989. But the planning and design are underway and the CDR will be completed in January or February 1988.

Senator BYRD. When did you say construction would be initiated and when completed?

Mr. WAMPLER. The original schedule was the first quarter of 1989. That was the original schedule for the initiation of construction in the project in the first quarter of 1989.

Senator BYRD. That was the original schedule?

Mr. WAMPLER. Yes; and I'm not sure where that came from.

Senator BYRD. What is the schedule now?

Mr. WAMPLER. That still looks like the schedule that is shown and I'm not sure what document we have that this is on, but that is the original schedule that was on the document and that has not been changed.

Senator BYRD. And the construction would be completed about when?

Mr. WAMPLER. Well, of course, that depends on funds, Mr. Chairman. How long was the project?

I'm told it was a 3-year project.

Senator BYRD. Now you indicated a figure there. Was that funding that would be required overall or the funding by year to cover the construction costs?

Mr. WAMPLER. No; the total project cost is estimated to be $13 million.

WEIRTON STEEL PROPOSAL

Senator BYRD. I understand that the board of Weirton Steel recently voted to proceed to negotiations with the Department of Energy for a clean coal project employing the KRW process. What is the status of that project? Is that one of the four or one of the five that you mentioned in your statement?

Mr. WAMPLER. That is one of the five remaining, Mr. Chairman. Those negotiations are underway at this moment with Weirton Steel.

Senator BYRD. And the status is just that?

Mr. WAMPLER. The status is that they are in negotiations and we do not see major road blocks.

Senator BYRD. You do not see——

Mr. WAMPLER. No; I do not see major road blocks. I would be hesitant to say any more than that in view of the fact that negotiations are ongoing.

Senator BYRD. All right.

ADDITIONAL COMMITTEE QUESTIONS

Mr. Wampler, thank you for your testimony. We will supply you with additional questions and we will hope for the answers promptly.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Clean Coal Technology

Question: Looking at page 37 of the Departments February, 1987, report: "America's Clean Coal Commitment," I note that the capital costs for Integrated Gasification Combined Cycle (IGCC) are relatively high but the actual incremental cost over conventional coal fired electric generating cost is projected only one to two mills per kilowatt hour, the lowest cost to the consumer for any of the technologies presented. Is this low cost to the consumer a reflection of increased power generation efficiencies?

Answer: Yes. An integrated gasifier combined cycle configuration installed at an existing plant may be capable of boosting the power output of that plant by as much as 150 percent. The capital costs may be high, but they are more than offset by the increased output of the repowered facility.

Question: How would the environmental performance of an IGCC plant compare with the conventional coal-fired power plant that serves as the baseline for the analysis on page 37?

Answer: The environmental advantages for IGCC are dramatic. We expect emission reductions for sulfur to be on the order of 99 percent or more, and NO_x reduction potential is well within existing standards. The conventional plant used in the analysis only has particulate removal systems. There is no sulfur capture, therefore sulfur emissions would be a function of the coal burned.

Question: How would the IGCC plant's environmental performance compare with conventional scrubber technology?

Answer: Even a conventional plant equipped with a scrubber typically captures only 90 percent of the sulfur dioxide. The superior environmental performance of the IGCC technology is one reason why the Cool Water project -- which is demonstrating the first generation of the concept -- can operate comfortably within the very stringent emission standards of California.

Question: If integrated gasification seems to be such a clear winner, is this what every utility will be turning to? Why not?

Answer: If the technology is adequately demonstrated, we believe many utilities will be turning to combined cycle gasification. That's happening in this area, with PEPCO and Virginia Power.

But the choice for other utilities may depend on many other factors -- space limitations, perceived risks, financial capabilities, and other considerations. For some utilities, atmospheric or pressurized fluidized bed combustion may be the preferred choice. We believe that, in all probability, there will be a mix of these technologies in commercial use in the future.

Question: Can you provide for our record the same information contained on page 37 of your report but modified to reflect the range of SO_2 and NO_x percentage reductions compared to the baseline plant?

Answer: These data are available by combining Figure 12 (pg 31) with Figure 15 (pg 37) of "America's Clean Coal Committment," DOE/FE-0083, February 1987, and are presented on the following table.

TECHNICAL AND ECONOMIC PERFORMANCE OF INNOVATIVE CLEAN COAL
TECHNOLOGIES IN COMPARISON TO CONVENTIONAL COAL-FIRED POWER PLANTS

Technology	Efficiency	Power Output	Plant Life	Incremental Cost of Electricity* (mills/KWH)	Capital Cost ($/KW)	% SO2 Reduction	NOx Emitted
CONVENTIONAL							
Coal Cleaning	Small increase	No change	Slight extension	2-3	Additional fuel cost only	10-30	No change
Flue Gas Scrubber	Decrease	Moderate decrease	No change	9-11	180-200	90+	No change
RETROFIT							
Advanced Flue Gas Cleanup	Decrease	Small decrease	No change	10-12	175-190	90+	High reduction
Limestone Injection Multistage Burner	Decrease	Small decrease	No change	5-8	80-110	50-60	Moderate reduction
Slagging Combustor	Small decrease	Small decrease	Slight extension	1-2	50-60	50-90	Moderate reduction
Gas Reburning	No change	No change	Slight extension	Depends on gas price	10-20	10-20	Moderate reduction
In-duct Sorbent Injection	Small decrease	Small decrease	No change	2-4	40-90	50-70	No change
Advanced Coal Cleaning	Small increase	No change	Slight extension	6-21	Additional fuel cost only	30-90	No change
Coal Slurry	Small decrease	Small decrease	No change	11-23	20-50	10-90	No change
REPOWERING							
Integrated Gasification Combined Cycle	Moderate increase	50-150% increase	Moderate extension	1-2	1100-1300	95-99	Moderate reduction
Pressurized Fluidized Bed Combustion	Slight increase	40-50% increase	Moderate extension	4-6	800-1000	90-95	Moderate reduction
Atmospheric Fluidized Bed Combustion	No change	10-15% increase	Moderate extension	6-8	700-900	85-90	Moderate reduction

---

* Assumes base is conventional coal-fired power plant with only particulate removal devices. For repowering technologies, capital costs are relatively high because the output, i.e. capacity, of the plant is increased. The incremental cost of electricity are those costs associated with reducing emissions from the original plant.

Question: Would it be fair to divide the percentage emission reduction by the incremental cost for each technology to form a rough efficiency index in terms of pollution control? What significant benefits or shortcomings might such an index fail to recognize for each technology?

Answer: A rough efficiency index for pollution control can be derived by dividing the percentage emission reduction by the incremental cost of each technology. That would give you a rough approximation of such an index. But the problem is that it would assume that all control processes operate at equal efficiencies, independent of sulfur content in the coal, and independent of energy density and other factors.

The best measure of the cost-effectiveness (efficiency) of pollution control is the cost per ton of pollutant removed by a given pollution control technology. Comparing the cost per ton of conventional control with advanced control technologies would result in a better comparison of relative cost-effectiveness.

The cost per ton of removal may be determined by use of the following calculation:

Incremental Cost of Electricity X (Heat Rate of Unit)$^{-1}$ X (Pounds SO2 and/or NOx per pound coal)$^{-1}$ X Higher Heating Value of Coal = Cost per ton of pollutant removal

or

$$\frac{\text{Mills}}{\text{kwh}} \times \left(\frac{\text{Btu}}{\text{kwh}}\right)^{-1} \times \left(\frac{\text{lbs SO2and/or NOx}}{\text{100 lbs coal}}\right)^{-1} \times \frac{\text{Btu}}{\text{lbs}} \times \frac{\text{2000 lbs}}{\text{coal ton}} \times \frac{\$}{\text{1000 mills}} = \$/\text{ton of pollutant removal}$$

Questions Submitted by Senator James A. McClure

Clean Coal Technology

Question: The Administration has sent up a $2.5 billion budget amendment request for the Clean Coal Technology program. This in addition to the $250 million previously appropriated to the Department in FY86 and available in FY86 and FY87, and includes $150 million advance appropriations for FY88. Funds requested in the budget amendment are $350 million in FY88 and advance appropriations of $500 million each year for FY89, 90, 91, and 92.

What would be the impact to the program if the $500 million increments were provided separately in each fiscal year rather than in advance?

Answer: The Administration has decided to request the full $2.5 billion in federal funds for innovative control technology projects to demonstrate its commitment to emissions reductions and to the Lewis-Davis report. If the full amounts are not provided in advance we could be sending industry a signal that the government and Congress are not committed to a multi-year program and possibly limit the response. This point is particularly relevant when we consider the significant cost sharing commitments we are seeking from industry. In addition, this could signal a potential shift in our international position and indicate a change in our commitment to Canada. If advanced appropriations for full funding of the Clean Coal Technology program are not provided, it will be apparent to industry, utilities, the public and other countries that the announced goals of the program related to emission reductions will be significantly compromised.

Question: The FY88 request is made up of $300 million included in the budget amendment and $50 million included in the original FY88 budget. There is also available approximately $150 million of previously appropriated funds.

How much of the $150 million previously appropriated and available in FY88 do you anticipate to be obligated in FY88?

Answer: We plan to obligate approximately $65 million of the $150 million during FY 1988. Of the $150 million, $900,000 is unavailable due to the Interior and Related Agencies Appropriations Act general reduction of FY 1986 and approximately $1.84 million for the Small Business Innovation Research program set aside.

Question: How much of the $50 million originally requested in FY88 would you anticipate obligating in FY88?

Answer: We would anticipate obligating approximately $18 million of these funds. Approximately $625,000 is for the Small Business Innovative Research program set aside.

Question: How much of the $300 million requested in the budget amendment for FY88 would you anticipate to be obligated in FY88?

Answer: It appears that project solicitations for the second round will occur no earlier than the fall of 1987 with selection in the spring and summer of FY 1988. Therefore, with awards being made in the fall of 1988 it is unlikely that obligations would occur during FY 1988. Of the $300 million, there is a small set aside of approximately $3.75 million for the Small Business Innovative Research program.

Question: This budget amendment is proposed to be offset by reductions in budget authority totaling approximately $70 million from the Departments of Energy, Agriculture, State, the Executive Office of the President, the General Services Administration and the Environmental Protection Agency. In addition, administrative actions by the Department of Treasury would increase revenues by $13 million. These budget authority reductions and revenue increases total $59 million in outlay reductions.

Please provide for the record a breakdown of the $19 million in offset reductions for the Fossil Energy program.

Answer: The proposed offsets to the Fossil Energy program are as follows:

FY 1988 BUDGET AMENDMENT
Fossil Energy Research and Development
(Offsets to the Clean Coal Technology/Innovative Control Technology Amendment)

	($000) Proposed Amendment
Control Technology and Coal Preparation	
Coal Preparation Eliminate studies on reconstituting and handling finely ground coal produced in advanced coal cleaning processes (ancillary operations).	$-1,000
Flue Gas Cleanup Eliminate until FY 1989 the beginning program to develop pollution controls for advanced coal technologies in light industrial, commercial, and residential sectors.	$-1,400
Gas Stream Cleanup Eliminate all alkali and trace chemical research in support of PFB, direct coal-fired turbines, IGCC (turbines and molten carbonate fuel cells). Reduce new procurement for combined sulfur and particulate removal to support direct coal-fired turbines.	$-2,000
Advanced Research and Technology Development	
Direct Utilization Reduce level of effort in Coal Science.	$ -700
Combustion Systems	
Pressurized Fluidized Bed Combustion Eliminate identification of an alternate to the Foster Wheeler second generation PFB concept leaving no options if it is unsuccessful.	$ -400
Alternative Fuels Utilization Reduce the level of effort in characterization work which supports the Coal Preparation and Advanced Combustion Technology programs.	$ -200
EPA LIMB Demonstration Stretch-out construction and operation of tangentially fired LIMB demonstration by several months.	$-2,000
Program Direction and Management Support	
Headquarters Program Direction Eliminate the centralized funding of HBCUs and SBA. Instead, targets for these set asides will be established within the R&D program.	$-1,000
ETC Program Direction Reduce the use of site support contracts to only essential institutional functions.	$-2,200
Cooperative R&D Ventures Reflects the delay in implementing the program due to the timeframe required for obtaining industry input. In addition, the initial program should be on a relatively small scale to ensure Congressional support and successful implementation.	$-2,500
Prior Year Offsets Powerton Project ($-1.7M) - Final closeout of the project. KILnGAS Cooperative Agreement ($-3.9M) - Planned termination of the agreement. Since Allis-Chalmers has been unable to secure the required 50% cost share for additional tests, they are proposing to mothball the facility leaving excess funds.	$-5,600

FY 1988 Clean Coal Outlays

Question: How did you determine that the FY88 outlays associated with this budget amendment would total $59 million?

Answer: The estimate developed for the Budget Amendment was based on historical assumptions from "lessons learned" on similar major projects of this nature. Our FY 1988 outlays are based on the fact that the awards for design and construction of the projects in CCT-1 will be made in FY 1988 with corresponding outlays occurring in late FY 1988. Additional outlays will occur because the number of projects increase as the program expands with the second round of solicitations beginning in FY 1988.

Clean Coal Obligations

Question: How much of the nearly $100 million appropriated in FY86 was obligated in FY86?

Answer: Of this amount, $404,000 was obligated in FY 1986.

Question: How much of this was obligated in FY87?

Answer: Of this amount, through the month of June 1987, $11,420,218 was obligated. However, we anticipate obligating $61,700,000 by the end of FY 1987. In addition, all FY 1986 appropriations, with the exception of the cost overrun reserve, are committed to the nine selected projects. The remaining negotiations should be completed by September 1987 and additional obligations associated with the final approvals of these contracts should occur in early FY 1988.

Construction Status of Clean Coal Projects

Question: How much construction is actually underway on the nine projects selected earlier this year?

Answer: Of the nine projects selected, cooperative agreements have been signed on four. All construction work underway on these projects is focused either on modifications to existing facilities or fabrication of vessels and piping. No new facility construction has been initiated. All construction activities are on schedule, however, and the level of effort will increase when the projects enter their second phase.

Clean Coal Technology

Question: The Clean Coal Technology program has been broken down into at least three separate solicitations. Clean Coal 1 is made up of $400 million appropriated in FY86 for fiscal years 1986, 1987, and 1988. The projects for this solicitation have been selected and cooperative agreements are under negotiation or have been executed.

Clean Coal 2 is a solicitation proposed to be made up of $850 million to be appropriated for fiscal years 1988 and 1989. This solicitation will focus on projects to demonstrate technologies which are capable of retrofitting, or repowering existing coal-burning facilities.

The last solicitation(s) will be funded by $1.5 billion for fiscal years 1990, 1991 and 1992. The purpose of these is not as clear as Clean Coal 1 and 2, except that they would be an extension of the program.

How did you arrive at $850 million as the appropriate funding level for Clean Coal 2?

Answer: The Department of Energy's FY 1988 budget request, as amended, identified $850 million to support a second solicitation for cost-shared Clean Coal Technology projects. This request was based upon a number of factors, which include:

a. The priority placed on the Clean Coal Innovative Control Technology Program as a full response to the Nation's commitment to the recommendations given in the Lewis-Davis Report. This priority was emphasized in the President's announcement, which described a $2.5 billion program with funding levels of $500 million per year for each of the five fiscal years 1988 through 1992.

b. The level of interest expressed by the industrial sector in cost-sharing Clean Coal Demonstration projects with the Government.

This interest was evident in the results of the recently completed second solicitation for statements of interest, in which 139 responses were received representing projects with total (Government and industry) costs estimated to be in excess of $5 billion.

c. The length of time required to prepare and execute a competitive procurement with funding levels greater than Clean Coal 1. A solicitation completed over a 2-year period, was considered to provide the most optimum compromise between program priorities (e.g., acceleration of activities) and resources of the Department. Accordingly, the $350 million remaining in the Clean Coal Technology Reserve Fund requested for the program in FY 1988 and the $500 million requested in advance appropriations for FY 1989 were combined and proposed as the funds for a $850 million solicitation in FY 1988.

d. The anticipated demand for these technologies. A fast start is considered as an essential step in getting sufficient Clean Coal Technology options available to industry in time to be available to solve problems expected to occur in the utility sector in the mid-1990's. At that time many of these utilities will be faced with older boilers and a decision that must be made on how best to keep them in service and how to meet the demands imposed by increased capacity requirements, while meeting environmental requirements expected to be in existence at the time. The options made available to them through the Clean Coal Technology Program will be essential to this planning and selection process.

e. The opportunity to support solicitations later in the Program. The decision to have a solicitation covering the first two years, costing $850 million, leaves the flexibility to consider subsequent solicitations with the remaining $1.5 billion available in $500 million increments during FY 1990, 1991, and 1992. It is expected that there are technologies of interest and great promise now in the R&D cycle that will not be ready for continued development at the demonstration stage until those later years. The availability of funds during that time frame will provide the opportunity and support for making those technologies viable options.

Question: How did you arrive at $1.5 billion as the appropriate funding level for the remaining proposal?

Answer: As stated in the previous answer, the $1.5 billion remaining after the first two solicitations provides adequate resources to consider subsequent solicitations. The decision to have a solicitation covering the first two years, costing $850 million, leaves the flexibility to consider subsequent solicitations with the remaining $1.5 billion available in $500 million increments during FY 1990, 1991, and 1992. It is expected that there are technologies of interest and great promise now in the R&D cycle that will not be ready for continued development at the demonstration stage until those later years. The availability of funds during that time frame will provide the opportunity and support for making those technologies viable options.

Question: What is the difference between Clean Coal 1 and 2?

Answer: In a general sense, the difference will be that, in CCT-2, we will carry out the President's pledge to structure the program around the Special Envoys' Report. Whereas CCT-1 was Congressionally mandated to be open to all market applications, the subsequent competitions -- in line with the Lewis-Davis report -- will focus on technologies applicable to existing, high-sulfur coal burning facilities. Projects may be located in other regions of the country, but the technology will be relevant to high-sulfur coal combustion. Emission reduction will play a more prominant role in the evaluation, again in line with Lewis-Davis.

And, in contrast to the first round, we will be receiving advice from the Innovative Control Technology Advisory Panel.

Question: How will the final phase of the program differ from Clean Coal 1 and 2?

Answer: The final phase of the program accommodates the observation that there are promising technologies still under development today that are not sufficiently mature to compete in the first or second solicitation. With additional development, these emerging technologies could be ready for consideration in future solicitations.

Question: The first, as well as part of the second, clean coal solicitation was authorized in the appropriations process. There remains, however, $2.0 billion requested by the President that is not authorized. On May 18, the Department transmitted legislation for its civilian authorized programs, which included authorization of appropriations for FY89 thru FY92 for this $2.0 billion.

Do you feel it is advisable to wait with any part of the appropriation until an authorization passes?

Answer: The Department certainly desires a complete Congressional review and approval of the Clean Coal program and would prefer enactment of authorization legislation. We are also concerned that the program move forward in an expeditious manner due to the window of opportunity that exists for development of the technology in the mid-1990's. Therefore, if Congress appropriates funds in absence of an authorization act, we would execute the program accordingly.

Question: If not, why is it necessary to appropriate funds for fiscal years 1989, 1990, 1991, and 1992 without an authorization?

Answer: It demonstrates the government's commitment to this program. And it gives industry the confidence that, if we're going to ask them to put up at least 50 percent of the costs, then the federal share of funds will be there. I think that is very important if we are going to attract widespread participation by industry. In addition, these technologies need to be deployed by the mid-1990's in order to meet the Nation's need for electrical power in an environmentally acceptable manner.

Question: Aside from authorization of appropriations, is the program as currently proposed authorized?

Answer: Yes, it is. The permanent law authorizing and directing the conduct of the Clean Coal Technology Program consists of the Federal Nonnuclear Energy Research and Development Act of 1974, 42 U.S.C. 5901 et seq., the Department of the Interior and Related Agencies Appropriations Act, 1985, particularly 98 Stat. 1860, 1862-63, and sec. 321, 98 Stat. 1874, and the Department of the Interior and Related Appropriations Act, 1986, particularly 99 Stat. 1251, 1254-55. Thus, implementation of the Clean Coal Technology program, as proposed by the amendment to the President's FY 1988 budget request, is not contingent on enactment of new legislation.

In the event that the Clean Coal Technology Program subsequently is defined to include provisions that exceed exisiting authorities, we will advise you.

Molten Carbonate Fuel Cells Stack Development Program

Question: The Department of Energy (DOE) announced in late June its decision not to make any award in response to the August 1986 Program Research and Development Announcement (PRDA) for Molten Carbonate Fuel Cell (MCFC) Prototype Stack Development. The stack development work for MCFC is a critical step to the actual field application and commercialization. Compared to our existing program, Japan, for example, has a focused commitment, orchestrated by MITI, with a $200 million ten year initiative to commercialize molten carbonate fuel cells, and associated systems. What are DOE's plans concerning a systematic MCFC stack development program?

Answer: Molten carbonate fuel cell (MCFC) stack development activities are currently underway at International Fuel Cells Corporation (IFC) and the Energy Research Corporation (ERC). These efforts are a continuation of cell and stack research and development efforts initiated in 1979 at IFC (then UTC) and in 1976 at ERC. A research and development program on MCFC components is also currently underway at the Institute for Gas Technology (IGT). This effort was initiated in 1986.

Recently the DOE issued a competitive procurement for the development of coal based molten carbonate fuel cells. It was anticipated that the contemplated work would result in the movement of the coal-fueled MCFC technology into the commercial marketplace. After reviewing the evaluation of the three proposals received under this PRDA and after considering the evaluation criteria and the program policy factors provided in the PRDA, DOE determined that none of the proposals offered a sufficient basis for selection for the attainment of the PRDA objectives and achievement of the Department's overall program goals. It was also judged that a selection at this time between the three competing approaches as presented in the proposals, and in subsequent clarifying submissions and discussions, would be premature. The decision was not intended, however, to prevent a future solicitation when the development work of fuel cells has progressed to a point where well-described, substantiated technical approaches could be proposed and a defensible selection made.

At present, the DOE is planning to continue the ongoing MCFC work at IFC, ERC and IGT. Existing contracts will be modified, as necessary, to provide for development activities leading to a prototype MCFC stack for a coal-fueled power plant. If negotiations with IGT result in the initiation of stack development contract activities, the stack development effort may be conducted by GDC, Inc., IGT's commercialization subsidiary. It should be noted that the stack technology proposed by IGT/GDC under the PRDA involved foreign technology which could complicate future contract negotiations if that remains the case. The contract activities will utilize requested FY 1988 funds and approximately $5.2 million in FY 1987 carryover funds. It is expected that each contractor will be involved in stack and power plant system design and stack development, as well as the test verification of cells and stacks operating on coal derived gas.

Question: I understand three teams responded to the August 1986 PRDA. What were the specific technical proposals from each team which should be supported with additional funding?

Answer: Three teams did submit proposals to the recent coal-based molten carbonate fuel cell (MCFC) development PRDA. The teams were composed principally of current DOE contractors involved in MCFC R&D -- i.e., IFC, ERC, and IGT (with GDC as the prime offeror). Each offeror team proposed to perform coal-fueled MCFC systems analyses and fuel cell

stack development for a coal-fueled MCFC power plant. Each team's proposed approach was unique, and in part proprietary. As such it is difficult to discuss specific details of each of the technical approaches. Since each team's offer, as required by the PRDA, included proposed work in both systems analysis and stack development, both areas will be considered in formulating/negotiating the MCFC stack development work described in the previous answer.

QUESTIONS SUBMITTED BY SENATOR DON NICKLES

Geoscience

Question: Will your proposed creation of the Office of Geoscience Research and the DOE Hydrocarbon Geoscience Research Coordinating Committee include the implementation of the ERAB recommendation to assign to OGR in FY 1987 all existing DOE oil and gas geoscience and production technology programs?

Answer: The ERAB panel correctly observed that geoscience research is funded by a number of DOE organizations. These program offices agree that coordination of hydrocarbon geoscience research can and should be provided as a focal point for strategic planning and contacts with other agencies. The creation of the Office of Geoscience Research (OGR) and the DOE Hydrocarbon Geoscience Coordinating Committee (HGRCC) is designed to fulfull this coordination need. It is not intended to consolidate all the current basic and applied geoscience research activities. This would not be the most effective mechanism to accomplish the objective. Consolidation of a myriad of programs under a single office would represent major organizational change away from the current structure of offices based on energy resources and utilization. It would be disruptive to the programs, impose large administrative costs, and would force together very different activities that currently serve very different missions.

The Department believes that creating both an Office of Geoscience Research in the Office of the Assistant Secretary for Fossil Energy and a Hydrocarbon Geoscience Research Coordinating Committee will permit it to retain the strong linkages between the mission-oriented applied geosciences activities and other related R&D with the program offices, while assuring improved coordination between basic and applied research within DOE and with other agencies. It avoids the disruption and expense of a major reorganization while still responding effectively to the thrust of the ERAB recommendation.

Question: Can this be done without Congressional approval? Are you requesting that approval?

Answer: The Department would not need additional legal authority to effect such a reorganization. However, to the extent that it would require transfer of programs between the jurisdiction of the Energy and Water Development and Interior and Related Agencies Appropriations Subcommittees, their approval would likely be required as a practical matter. Since we are not proposing a consolidation, we are not seeking such approval.

Question: Will your proposed Office of Geoscience Research include the ERAB proposal of locating an implementation office in the oil patch with the status of an energy technology center? If so, is the Bartlesville Project Office being considered as the implementation office? If not, why not?

Answer: As you know, ERAB recommended the establishment of oil and gas research centers within each of the six major oil and gas provinces of the United States. In supporting this and other ERAB recommendations, there were numerous organizations and individuals that also supported a recommendation that DOE:

> "Establish an Office of Geoscience Research (OGR) as a unit of the DOE Fossil Energy Program, reporting directly to the Assistant Secretary and located, in the "oil patch," an implementation office with the status of an energy technology center."

Clearly, we have accomplished the first part of the above recommendation. As to the second part, we recognize that the Bartlesville Project Office (BPO) is indeed in the "oil patch" and has the status of an energy technology center. To a lesser extent or greater extent, BPO functions as an implementation office for many of our petroleum related geoscience research activities. How BPO's functions might be enhanced in the future will likely hinge on the feasibility of establishing a Petroleum Research Institute (PRI).

Until the feasibility study that we have asked the National Petroleum Council (NPC) to conduct relative to a PRI is completed, it is difficult to speculate on BPO's future role. If the NPC concludes that establishing a PRI is feasible, we have asked that an expanded study be conducted to address the following elements:

1) an Institute which would permit the participation of the entire oil and gas industry;
2) appropriate funding level(s) for such an Institute;
3) appropriate internal and external DOE organizational structures and interfaces;
4) appropriate prioritization of research and development needs;
5) appropriate geographic location of such an Institute; and
6) incorporation of existing Federal and non-Federal expertise and data bases and a detailed plan for implementation and execution.

As you can see, items 3, 5 and 6 above will likely be extremely relevant to BPO's future role as an implementation office for petroleum related geoscience research. Notwithstanding the outcome of NPC's expanded study, we have no intention of diminishing BPO's current activities.

Question: In your statement before the House Subcommittee on Energy Research and Development last Wednesday you referred to your recent conclusion that a coordianted and expanded effort is needed in the area of heterogeneity research. Is this initiative, with which I strongly agree, compatible with the Department's FY 1988 Budget Request? If not, how much more funding would be required?

Answer: The Enhanced Oil Recovery (EOR) initiative that I referred to before the House Energy Research and Development Subcommittee is one which has, as a major thrust, the development of more cost-effective research projects directed towards near-term and mid-term objectives of recovering a greater fraction of the oil that has already been found.

The Headquarters Fossil Energy (FE) team that I directed to develop such an initiative has recently completed a series of interviews with a broad cross-section of organizations and people in the industry, from large integrated oil companies, to small independent operators, to field service companies, to academic institutions, to state geological surveys. The FE team is currently developing this initiative together with appropriate funding levels based upon inputs received from the aforementioned interviews. We expect that any additional needs that are not met by the FY 1988 request will be addressed through the development of a mission-oriented plan in the FY 1989 budget process, which is underway now.

Question: I disagree in part with your conclusions that any effort by the Department to focus on "near-term" research would place the Department in competition with the private sector. At today's oil and gas prices, few companies are engaging in research in many of the areas of research discussed by the ERAB report, and those that are undertaking the research will not necessarily share that information with the independent producers who drill by far the majority of the wells in the Lower 48. How does the Department expect to improve the near term location and extraction potential of Lower 48 hydrocarbon reservoirs in a manner that helps the independent producer?

Answer: As I mentioned in my response to the previous question, the EOR initiative currently being developed will address how to improve the near- and mid-term geoscience research needs of the oil and gas industry -- particularly the independent producers.

Question: The Department's decision to consider creating a Petroleum Research Institute appears to be very helpful, especially to independents. Does establishment of a PRI presage a further reduction in DOE's requests for petroleum R&D funding?

Answer: No. As I stated in my testimony before the House Subcommittee on Energy Research and Development, the Department may be in a position to assist in the creation and initial funding of such an institute.

Clean Coal Technology

Question: What additional technologies exist within the scope of the Clean Coal Technology program that would involve the use of natural gas? Have applications been submitted for these technologies?

Answer: One of the nine projects selected for the Clean Coal Technology Program was the Energy and Environmental Research (EER) Corporation proposal to demonstrate the gas reburning-sorbent injection process for the control of sulfur dioxide and nitrogen oxide emissions from existing coal-fired boilers. Reburning is achieved by injection of natural gas (10 to 20 percent of the total fuel input) above the normal furnace heat release zone to produce an oxygen deficient region in the upper furnace (reburning zone). Burnout air is introduced above the reburning zone to complete the fuel combustion. An advantage of the process is that a portion of the NOx produced in the main heat release zone is decomposed to molecular nitrogen in the reburning zone. A further advantage results from the fact that the reburning fuel contains no sulfur, and therefore sulfur dioxide emissions are reduced in proportion to the amount of natural gas fired. This technology will be demonstrated at three sites, a tangentially fired 80 MWe boiler, a wall fired 117 MWe boiler, and a cyclone fired 40 MWe boiler.

Other technologies that would use natural gas and exist within the scope of the program, but which have not be proposed for consideration to date include:

(A) Boiler Repowering--in which the power output of an existing coal-fired powerplant is increased by integrating the boiler and the system with a natural gas fired turbine generator.

(B) Cofiring--in which coal and natural gas are fired together or in adjacent facilities to reduce emissions of sulfur dioxide and nitrogen oxides.

Question: To what extent could natural gas supplement coal in coal-fired power plants to reduce acid rain? Why does the Department favor spending several billion dollars in additional funding on exotic all-coal technologies that involve costly capital investment when simple retrofits with natural gas "cleaning" may be more cost-effective?

Answer: Natural gas could be used to supplement coal in coal-fired powerplants for power generation through the use of repowering concepts and as an additional means of control on the emissions of acid rain precursors through the application of the gas reburning concept. The application of these technologies are very site specific making any estimate of their potential capacity difficult. It has been estimated by the American Gas Association that the maximum potential for their use for producing new capacity might be "equipment to 3.5 percent of the total installed U.S. generating capacity."

Although the issues involved in the selection of a fuel for the production of heat, steam, or power are complex, there are a few major considerations that continue to justify the continued development of technologies that can use the Nation's coal resources. These include:

1) Resource Availability - While the U.S. has immense coal reserves available there is increasing concern about the available supplies of natural gas. The term "gas bubble" has been used to describe what the industry considers a temporary surplus in availability of natural gas. Many forecasters are beginning to predict the end of the surplus and some need to again consider priority use of gas supplies in areas of the economy for which it is best suited and difficult to replace.

2) Cost - Decisions in the selection of fuels will continue to be driven by comparative costs. In many applications (i.e., utility applications industries) natural gas is a more expensive option.

3) Flexibility - The power production sector of the economy is characterized by its broad spectrum of systems utilized, operating environments, demand requirements, future applications, environmental concerns, etc. A wide range of energy production options as well as environmental control systems are required to give this industry the capability to be responsive to the demands placed upon it. These coal technologies that now exist or are being developed provide the maximum opportunity for this total industry (not a small precentage of applicable units) to meet those demands.

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

Magnetohydrodynamics

Question: Mr. Wampler, I am aware of the Department's decision to zero out the MHD program in its FY 1988 Budget Request. However, I understand that your MHD office is continuing to request proposals and/or negotiate contracts for the remaining four components of the "proof of concept" plan.

Assuming funds could be made available to complete the program over the next 4 to 5 years, what is your estimate of the total federal funding that would be required?

Answer: Contracts for the four principal elements of the MHD Proof-of-Concept (POC) Program are still under negotiation. Until the negotiations are completed and the contracts awarded, it is difficult to make a more accurate estimate than the one the Department made in 1984, when the MHD POC Program Plan was submitted to the Congress. At that time, the estimated cost for the total program over a five year period following the award of the subject contracts was about $150 million. In current year dollars, factoring in inflation and escalation since 1984, the cost would be closer to $170 million. Consistent with the addition of funds by Congress in the FY 1987 budget, all contracts are expected to be negotiated and awarded, subject to availability of funds, by the end of this fiscal year and better estimates can be made at that time. The Department maintains, however, that this development program is too expensive in light of our other R&D priorities and the Federal deficit situation. We stand by our decision not to request further funding for MHD in FY 1988.

Question: Under the cost-sharing formula approved in 1986, what is the Department's estimate of the federal share that would be required by year along with the private matching funds by year for each of the four components of the "proof of concept" plan assuming completion of the program within 5 years?

Answer: The MHD cost sharing formula specified in the FY 1987 Department of Interior and Related Agencies Appropriations Act requires that:

> "20 per centum private sector cash or in-kind contributions shall be required for obligations in fiscal year 1987, and for each subsequent fiscal year's obligations private sector contributions shall increase by 5 per centum over the life of the proof-of-concept plan: Provided further, That existing facilities, equipment, and supplies, or previously expended research or development funds are not cost-sharing for the purposes of this appropriation, except as amortized, depreciated, or expensed in normal business practice: Provided further, That cost-sharing shall not be required for the costs of constructing or operating government-owned facilities or for the costs of Government organizations, National Laboratories, or universities and such costs shall not be used in calculating the required percentage for private sector contributions: Provided further, That private sector contribution percentages need not be met on each contract but must be met in total for each fiscal year."

This requires specific cost-sharing on an overall program basis, not contract by contract.

The referenced four components of the MHD POC Program are based on contracts that are currently under negotiation. Until the negotiations are completed and the contracts are awarded, it is not possible to specify what the cost-sharing will be on a contract by contract or a component by component basis. The cost sharing formula has been provided to all bidders as part of the competitive procurement process and is being raised as a very important issue during the ongoing negotiation process for all contracts.

Question: If Congress should provide less than the full funding required to keep the proof of concept plan on schedule in FY 1988, how would you rank the four components in terms of priority?

Answer: The MHD POC Program described in the 1984 program plan represents an effort to develop a comprehensive technology base sufficient for industry to take the next necessary steps leading to the commercialization of MHD technology. As such, each of the four components of the POC program is an integral and necessary piece of this critical technology base and all four components are needed if the objectives of the POC program are to be achieved. Given the high cost of this project, in light of our other priorities and fiscal constraints, we believe that the best course of action is for Congress to support our FY 1988 budget request by not appropriating further funds for MHD.

CONCLUSION OF HEARINGS

Senator BYRD. We thank your associates as well.

The subcommittee will stand in recess awaiting the call of the Chair.

[Whereupon, at 2:22 p.m., Monday, July 20, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

Page
Ada, Hon. Joseph F., Governor, Guam 883
  Prepared statement 886
Adams, Robert McC., Secretary, Smithsonian Institution 1109
  Prepared statement 111
Afuola, Meloma F., budget director, American Samoa 843
  Biography of 849
Alcock, Jack, Regional Forester, Southern region, Atlanta, Forest Service, Department of Agriculture 1
Anderson, Dean W., Under Secretary, Smithsonian Institution 1109
Atkinson, Hawley, Chairman, Navajo and Hopi Indian Relocation Commission 247
  Prepared statement 249

Badolato, Edward V., Deputy Assistant Secretary for Energy Emergencies, Office of Energy Emergencies, Department of Energy 229
  Biography of 235
Bauer, Donald L., Principal Deputy Assistant Secretary, Department of Energy 171, 1271
  Biography of 182
Bavasi, Christopher J., Executive Director, Navajo and Hopi Indian Relocation Commission 247
Beasley, Lamar, Deputy Chief for Natural Forest Systems, Forest Service, Department of Agriculture 1
Bermel, Peter F., Assistant Director for Programs, U.S. Geological Survey, Department of the Interior 647
Biesecker, James E., Assistant Director for Information Systems, U.S. Geological Survey, Department of the Interior 647
Billington, James H., Director, Woodrow Wilson International Center for Scholars 1203
  Prepared statement 1204
Bingaman, Hon. Jeff, U.S. Senator from New Mexico, questions submitted by 629
Blaz, Hon. Ben, U.S. delegate from Guam, U.S. House of Representatives 883
  Prepared statement 884
Bloom, Harold, assistant inspector general for audits, Office of Inspector General, Department of the Interior 765
Boldt, Robert E., Deputy Director, Administration and Finance, Office of Surface Mining Reclamation and Enforcement, Department of the Interior 775
Bradley, George J., Jr., Principal Deputy Assistant Secretary for International Affairs and Energy Emergencies, Office of Energy Emergencies, Department of Energy 229
  Biography of 235
Brown, David S., Deputy Director, Bureau of Mines, Department of the Interior 805
Bumpers, Hon. Dale, U.S. Senator from Arkansas, questions submitted by 529
Burdick, Hon. Quentin N., U.S. Senator from North Dakota, questions submitted by 606

Page

Burns, Denver, Director, Northeastern Forest Experiment Station, Forest Service, Department of Agriculture 1

Buterbaugh, Galen L., Regional Director, Denver, CO, Fish and Wildlife Service, Department of the Interior 411

Byrd, Hon. Robert C., U.S. Senator from West Virginia, questions submitted by 49

Challinor, David, Assistant Secretary for Research, Smithsonian Institution 1109

Christensen, Jed D., Director, Office of Surface Mining Reclamation and Enforcement, Department of the Interior 775

  Prepared statement 777

Christian, Peter M., senator, chairman, Ways and Means Committee, Congress of the Federated States of Micronesia 979

  Prepared statement 991

Clancy, Carol, Acting Associate Solicitor for Surface Mining, Office of the Solicitor, Department of the Interior 741

Cochran, Hon. Thad, U.S. Senator from Mississippi, questions submitted by 107, 405, 547, 618, 705, 1342

Cohen, Philip, Chief Hydrologist, Water Resources Division, U.S. Geological Survey, Department of the Interior 647

Collins, Lynn, Acting Associate Solicitor for Indian Affairs, Office of the Solicitor, Department of the Interior 741

Danigan, Danny P., Assistant Inspector General for Administration, Office of Inspector General, Department of the Interior 765

DeConcini, Hon. Dennis, U.S. Senator from Arizona, questions submitted by 98, 401, 504, 605

Devine, James F., Assistant Director for Engineering Geology, U.S. Geological Survey, Department of the Interior 647

Doddridge, Joseph E., Assistant Director—Policy, Budget and Administration, Fish and Wildlife Service, Department of the Interior 411

  Biography of 418

Domenici, Hon. Pete V., U.S. Senator from New Mexico, questions submitted by 245, 409, 548

Donahue, James F., Chief, Division of Budget, Bureau of Mines, Department of the Interior 805

Dunkle, Frank H., Director, Fish and Wildlife Service, Department of the Interior 411

  Biography of 417

  Prepared statement 414

Dunlop, George S., Assistant Secretary for Natural Resources and Environment, Department of Agriculture 1

  Prepared statement 6

de Lugo, Ron, delegate from the Virgin Islands, U.S. House of Representatives, chairman, Subcommittee on Insular and International Affairs 823

  Prepared statement 826

deBrum, Hon. Oscar, chief secretary, Republic of the Marshall Islands 997

  Prepared statement 998

Eden, Ronald D., Deputy to the Assistant Secretary, Indian Affairs (Acting Director, Office of Indian Education), Bureau of Indian Affairs, Department of the Interior 555

Edwards, Gary, Assistant Director—Fisheries, Fish and Wildlife Service, Department of the Interior 411

Elbert, Hazel E., Deputy to the Assistant Secretary, Indian Affairs, Bureau of Indian Affairs, Department of the Interior 555

Esquerra, Ronald L., Deputy to the Assistant Secretary, Indian Affairs, Bureau of Indian Affairs, Department of the Interior 555

Page

Farrelly, Hon. Alexander, Governor, Virgin Islands 823
  Biography of 834
  Prepared statement 831
Fleischman, Joyce N., Deputy Inspector General, Office of Inspector General, Department of the Interior 765
Flynn, Paul A., special assistant to the governor, American Samoa, biography of 850
Frederick, Doyle G., Associate Director, U.S. Geological Survey, Department of the Interior 647
Furiga, Richard D., Deputy Assistant Secretary for Petroleum Reserves, Department of Energy 171
  Biography of 183

Gifford, Prosser, Deputy Director, Woodrow Wilson International Center for Scholars 1203
Gorrell, Joseph W., Principal Deputy Assistant Secretary, Policy, Budget and Administration, Office of the Secretary, Department of the Interior 709
  Prepared statement 711
Grant, Edmund J., Assistant Director for Management Applications, U.S. Geological Survey, Department of the Interior 647
Gresham, Robert E., Assistant Executive Director for Operations, National Capital Planning Commission 631
Griffith, Reginald W., Executive Director, National Capital Planning Commission 631
Griles, J. Stevens, Assistant Secretary, Land and Minerals Management, Department of the Interior, letter from 790

Hatfield, Hon. Mark O., U.S. Senator from Oregon, questions submitted by 111, 543
Hollings, Hon. Ernest F., U.S. Senator from South Carolina, questions submitted by 166, 542
Horn, William P., Assistant Secretary for Fish and Wildlife and Parks, Fish and Wildlife Service, Department of the Interior 411
  Prepared statement 413
Horton, Robert C., Director, Bureau of Mines, Department of the Interior 805
  Prepared statement 806

Ilon, Hon. Epel K., resident representative, Federated States of Micronesia 979
  Prepared statement 982
Inos, Eloy, Director of Finance and Administration, Office of Territorial and International Affairs, Department of the Interior 1067
Itteilag, Anthony L., Director of Budget, Department of the Interior 411, 647, 709

Jameson, John F., Assistant Secretary for Administration, Smithsonian Institution 1109
Johnston, Hon. J. Bennett, Jr., U.S. Senator from Louisiana, questions submitted by 89, 220, 470, 603, 707
Jordan, Charles, Director of Capital Improvement Programs, Office of Territorial and International Affairs, Department of the Interior 1067

Kelso, John H., Acting Administrator, Health Resources and Services Administration Department of Health and Human Services 365
  Biography of 376

Lamb, Robert J., Chief, Division of Budget Operations (B), Office of Budget, Department of the Interior 555, 775, 805
Lambertson, Ronald E., Assistant Director—Fish and Wildlife Enhancement, Fish and Wildlife Service, Department of the Interior 411
Larsen, Howard N., Regional Director, Boston, MA, Fish and Wildlife Service, Department of the Interior 411

Page

Leahy, Hon. Patrick J., U.S. Senator from Vermont, questions submitted by 84, 502
Leonard, George M., Associate Chief, Forest Service, Department of Agriculture 1
Leupold, James C., budget officer, Fish and Wildlife Service, Department of the Interior 411
Leven, Ann R., Treasurer, Smithsonian Institution 1109
Lutali, Hon. A.P., Governor, American Samoa 843
  Prepared statement 846
Lynch, Stephen E., Special Assistant to the Regional Director, National Park Service, National Capital region, Department of the Interior 1219

Manglona, Benjamin T., chairman, senate Fiscal Affairs Committee, Commonwealth of the Northern Marianas 919
  Prepared statement 931
Marita, Butch, Regional Forester, Northeastern region, Milwaukee, Forest Service, Department of Agriculture 1
Massetto, Sandra L., Commissioner, Navajo and Hopi Indian Relocation Commission 247
McAlister, Michael J., Director, Management, Navajo and Hopi Indian Relocation Commission 247
McClure, Hon. James A., U.S. Senator from Idaho, questions submitted by 124, 222, 402, 607, 699, 763, 800, 1188, 1332
McCoy, Janet J., High Commissioner, Trust Territory of the Pacific Islands, Office of Territorial and International Affairs, Department of the Interior 1067
  Prepared statement 1075
Montoya, Richard T., Assistant Secretary, Office of Territorial and International Affairs, Department of the Interior 1067
  Prepared statement 1069
Morgan, Benjamin A., Acting Chief Geologist, Geologic Division, U.S. Geological Survey, Department of the Interior 647
  Biography of 653
Morgan, John D., Jr., chief staff officer, Bureau of Mines, Department of the Interior 805
Mullis, Carol P., Administrative Officer, National Capital Planning Commission 631
  Biography of 633
Murphy, John, Director, Pittsburgh Research Center, Bureau of Mines, Department of the Interior 805

Nelson, Harvey K., Regional Director, Twin Cities, MN, Fish and Wildlife Service, Department of the Interior 411
Nickles, Don, U.S. Senator from Oklahoma, questions submitted by 1339
Norton, Gale, Associate Solicitor for Conservation and Wildlife, Office of the Solicitor, Department of the Interior 741

Ohman, John, Deputy Chief for Research, Forest Service, Department of Agriculture 1
Olsen, David L., deputy Regional Director, Anchorage, AK, Fish and Wildlife Service, Department of the Interior 411
  Biography of 419

Pearson, Bill, Indian Health Service, Health Resources and Services Administration, Department of Health and Human Services 365
Peck, Dallas L., Director, U.S. Geological Survey, Department of the Interior 647
  Prepared statement 649
Pressler, Hon. Larry, U.S. Senator from South Dakota, prepared statement 656
Pulliam, James W., Jr., Regional Director, Atlanta, GA, Fish and Wildlife Service, Department of the Interior 411

Quitugua, Franklin, senator, Guam Legislature 883
  Prepared statement 910

Page

Reid, Hon. Harry, U.S. Senator from Nevada, questions submitted by 105

Reinhardt, John E., Director, Directorate of International Activities, Smithsonian Institution 1109

Reksid, Hon. Franz, minister of administration, Republic of Palau 963
  Prepared statement 967

Rhoades, Dr. Everett, Director, Indian Health Service, Health Resources and Services Administration, Department of Health and Human Services 365
  Biography of 369
  Prepared statement 367

Rice, Bill, Deputy Chief for Administration, Forest Service, Department of Agriculture 1

Richards, James R., Inspector General, Office of Inspector General, Department of the Interior 765
  Prepared statement 765

Richardson, Linda L., Acting Chief, Division of Program Development and Implementation, Bureau of Indian Affairs, Department of the Interior 555

Rinzler, Ralph, Assistant Secretary for Public Service, Smithsonian Institution 1109

Roach, Milburn, Indian Health Service, Health Resources and Services Administration, Department of Health and Human Services 365

Robertson, F. Dale, Chief, Forest Service, Department of Agriculture 1
  Prepared statement 3

Robinson, Michael H., Director, National Zoological Park, Smithsonian Institution 1109

Robinson, Steven R., Deputy Director, Fish and Wildlife Service, Department of the Interior 411
  Biography of 418

Robinson, Tom, Associate Solicitor for Audit and Investigation, Office of the Solicitor, Department of the Interior 741

Ryan, Frank A., Deputy to the Assistant Secretary, Indian Affairs (Trust and Economic Development), Bureau of Indian Affairs, Department of the Interior 555

Sanchez, Pedro, senator, Guam Legislature 883

Sasser, Hon. Jim, U.S. Senator from Tennessee, questions submitted by 168

Schenarts, Tom, Director, Northeastern State and Private Forestry Area, Forest Service, Department of Agriculture 1

Shafferman, Howard, Associate Solicitor for General Law, Office of the Solicitor, Department of the Interior 741

Shapiro, Irwin I., Director, Astrophysical Observatory, Smithsonian Institution 1109

Sheehan, Thomas T., Assistant Inspector General for Investigations, Office of Inspector General, Department of the Interior 765

Siegel, Jack S., Deputy Assistant Secretary for Coal Technology, Department of Energy 1271

Siegle, Richard L., Director, Office of Facilities Services, Smithsonian Institution 1109

Singer, Marvin I., Deputy Assistant Secretary for Oil, Gas, Shale, and Special Technologies, Department of Energy 1271

Sirmon, Jeff, Deputy Chief for Programs and Legislation, Forest Service, Department of Agriculture 1

Smith, Richard N., Research and Development, Washington, DC, Fish and Wildlife Service, Department of the Interior 411

Smyth, Paul, Acting Deputy Associate Solicitor for Energy and Resources, Office of the Solicitor, Department of the Interior 741

Spear, Michael J., Regional Director, Albuquerque, NM, Fish and Wildlife Service, Department of the Interior 411

Starr, Lowell E., Chief, National Mapping Division, U.S. Geological Survey, Department of the Interior 647

Stassi, Jack J., Assistant Director for Administration, U.S. Geological Survey, Department of the Interior 647

Page

Stennis, Hon. John C., U.S. Senator from Mississippi, questions submitted by 91
Stevens, Hon. Ted, U.S. Senator from Alaska, questions submitted by 109
Stieglitz, Walter O., Assistant Director—Refuges and Wildlife, Fish and Wildlife Service, Department of the Interior 411
Sunia, Fofo I.F., delegate from American Samoa, prepared statement 861
Suttenfield, Nancy D., Director, Office of Programming and Budget, Smithsonian Institution 1109
Swimmer, Hon. Ross O., Assistant Secretary, Indian Affairs, Bureau of Indian Affairs, Department of the Interior 555
  Prepared statement 557

Tagaloa, Tuiolofega, senator, American Samoa 843
Tarr, Ralph W., Solicitor, Office of the Solicitor, Department of the Interior 741
  Prepared statement 741
Tenorio, Froilan C., resident representative, Commonwealth of the Northern Marianas 919
  Prepared statement 947
Tenorio, Hon. Pedro A., Lieutenant Governor, Commonwealth of the Northern Marianas 919
  Prepared statement 922
Toloa, Letuli, president of the senate, American Samoa 843
  Prepared statement 859
Torres, Juan, chairman, house Appropriations Committee, Commonwealth of the Northern Marianas 919
Tuia, Tuana'Itau F., speaker of the house, American Samoa 843
  Letter from 864
  Prepared statement 865

Ubada, Norio, Washington representative, Republic of Palau 963
Urquhart, Glen T., Chairman, National Capital Planning Commission 631
  Prepared statement 632

Villagomez, Manuel P., vice chairman, senate Fiscal Affairs Committee, Commonwealth of the Northern Marianas 919

Wallenstrom, Rolf L., Regional Director, Portland, OR, Fish and Wildlife Service, Department of the Interior 411
Waller, David B., Assistant Secretary, International Affairs and Energy Emergencies, Office of Energy Emergencies, Department of Energy 229
  Biography of 234
  Prepared statement 230
Walsh, Jeremiah E., Jr., Deputy Assistant Secretary for Management, Fundamental Research and Cooperative Development, Department of Energy 1271
Wampler, J. Allen, Assistant Secretary for Fossil Energy, Department of Energy 171, 1271
  Biography of 181, 1272
  Prepared statements 173, 1275
Watson, Steven H., chief of staff, American Samoa Government, biography of 849
Watts, Raymond D., Acting Assistant Director for Research, U.S. Geological Survey, Department of the Interior 647
Weinstein, David, Acting Executive Director, U.S. Holocaust Memorial Council ... 1219
  Biography of 1226
  Prepared statement 1220
Weisgall, Jonathan M., legal counsel, people of Bikini, prepared statement 1099
Wells, Samuel F., Associate Director and head of European Institute, Woodrow Wilson International Center for Scholars 1203
West, Allan, Deputy Chief for State and Private Forestry, Forest Service, Department of Agriculture 1
Whitehead, Marvin E., budget officer, Office of the Secretary, Department of the Interior 709

Page

Wiles, Terry, Director of Administration, Office of the Solicitor, Department of the Interior 741

Workman, James W., Deputy Director, Operations and Technical Services, Office of Surface Mining Reclamation and Enforcement, Department of the Interior 775

Yellin, Jon E., Assistant Director for Finance and Administration, Woodrow Wilson International Center for Scholars 1203

SUBJECT INDEX

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Page

Additional committee questions 37
Cooperative law enforcement 21
Forest insect and disease research 13
Forest Road Program 35
Forest science lab at Morgantown, WV 19
Gypsy moth 13
  Eradication 17
  Infestation in the Northeast 17
Introduction of associates 12
Land acquisition 32
Minerals 34
Monongahela National Forest 31
Opening remarks 2
Parsons Research Laboratory 30
Princeton, WV, research lab at 29
Recreation fee proposal 36
Reorganization 33
Southern timber study 27
Timber Sales Program 25
Wilderness areas 35
Witness statements, summary of 9

DEPARTMENT OF ENERGY

FOSSIL ENERGY RESEARCH AND DEVELOPMENT AND CLEAN COAL TECHNOLOGY PROGRAM

Acid rain:
  Clean coal technologies effect on 1305
  Control bill, cost estimates for 1305
Additional committee questions 1329
Bipartisan clean coal bill 1302
Budget request 1271
  Amended 1320
Clean Coal Technology Deployment Act 1320
Clean Coal Technology Program 1301
  With the current program and the special envoys' report, comparison of the proposed 1303
Consumer rates, impact on 1311
Consumers, costs to 1319
Electric Power Research Institute, analysis by 1314

Page

- Emissions:
  - Canadian plan to reduce 1309
  - Control bills, impact on 1315
  - Reductions using innovative technologies, costs for 1307
- Energy technology centers, role of the in the program 1325
- Fossil Energy Research and Development Program 1302
- Fossil energy research and development budget 1325
- Introduction of associates 1301
- Jobs, impact of control program on 1310
- Legislation, analysis of 1313
- Low sulfur coal issue 1319
- Morgantown Energy Technology Center 1327
  - Building design 1327
- Scrubbers 1308
  - Canadian plans for installing 1310
  - In Canada 1309
  - Incentive for installing 1317
  - Installation, cost of 1318
- Solicitation, timetable for 1324
- Technology costs 1319
- Weirton Steel proposal 1328

Office of Energy Emergencies

- Additional committee questions 242
- Allocating resources 240
- International oil stocks 238
- National defense executive reserves 240
- Stocks, comparing United States with other countries' 239
- Summary statement 237

Strategic Petroleum Reserve

Naval Petroleum and Oil Shale Reserves

- Additional committee questions 200
- Disruption, likelihood of 187
- Elk Hills:
  - Deep test well at 200
  - Exploratory drilling at 199
  - Sale of 191
- Naval petroleum reserves 185
  - Sale of 194
  - Soil transferred to strategic petroleum reserve, price of 196
- Oil prices, future 186
- Oil, agricultural barter for 192
- Phase III activities, reprogramming from 193
- Public Law 99-413 198
  - Natural gas liquids 198
- Strategic petroleum reserve 184
  - Average price for oil purchases 197
  - Capacity 188
  - Distribution and drawdown 191
  - Fill rate 197
  - Leaching 188
  - Oil:
    - Advanced orders of 191
    - Price assumptions 195
  - Rate and leaching 189

Page
Sulphur mines 193
Summary statement 184

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH RESOURCES AND SERVICES ADMINISTRATION

INDIAN HEALTH SERVICE

Additional committee questions 384
Budget request 365
Kanakanak staffing 380
Navajo-Hopi relocation 378
Opening statement 365
Physician and nurse positions, reduction of 383
Sacaton staffing 379
Sanitation facilities 382

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Additional committee questions 591
Alaskan Natives, program issues for 570
Alternatives, timing of 565
Boarding school, minimum enrollment for a 583
Choctaw Elementary School 561
    Supplemental funding for 562
Commodities program, eligibility for the 569
Contracts, requirements to support new 564
Costs, indirect 563
Dams, safety of 587
Economic development grants 578
Education initiative 567
Ely Colony retrocession 566
Gila Bend Indian Reservation 574
Hawaiian culture and art development 585
Hazard rating 587
Initiatives, prohibition on implementing 562
Johnson-O'Malley 572
    Distribution formula 574
Lands:
    Adequacy of funding for new 590
    Housing on the new 590
Navajo Community College 586
Navajo-Hopi Relocation Program 588
Opening statement 561
Papago Tribe, education requirements of 581
Phoenix Indian School 579
    Legislation affecting 582
Phoenix:
    Specialized school at 583
    Student enrollment history at 581
Registration policy 580
Reservation gaming 569
Royalties, payments of 568
Self-determination grants 571

Page

Timber sales:
    Administrative fees 575
    Below cost 577
Tribal forestry programs, impact on the 576
Truckee River negotiations 565
Water availability, assessment of 566

BUREAU OF MINES

Acid mine drainage 816, 819
Avondale Research Center, closure of 810
Bolt bonding process 812
Bureau accomplishments 810
Bureau of Mines headquarters, relocation of 810
Dust reduction 811
EDNA miner funding 821
Fiscal year 1988 request 809
Geomechanic ground control 812
Ground Control Program, reduction in the 817
Impacts on fiscal year 1988 program 816
In Situ Copper Program 815
Keyworth initiative 817
Methane control 814
Mine bumps 813
Noise control 811
Safety hazard research, reduction in 819
Self-contained self-rescuers 814
Steelmaking, efforts in 821
Submicron particulate analyzer 813
Transfer of title IV research from Office of Surface Mining to Bureau of Mines 818

FISH AND WILDLIFE SERVICE

Additional committee questions 453
Alaska refuges and parks 440
ANWR project 433
Arizona hatcheries 422
    Production 422
Arkansas unit 435
Ash Meadows Refuge 428
Bayou Sauvage Refuge 424
Big Cypress bill 423
Budget request 412
Budget, overall 426
Caribbean law enforcement 420
Carson Sink die-off 427
Cash payment 436
Coastal barriers report 425
Collier:
    Exchange 431
    Update 435
Coop units 434
Delisting process 450
Eastern red wolf 452
Entrance fees 432
    In Alaska 441
Exchanges, agreement on 437
Flood damage 431

Page

Gray wolf recovery plan 445
Grizzly bears 447
Hagerman field station 444
Indian school 438
Land exchanges 427
Law enforcement report 421
Little River Refuge 433
Natchitoches hatchery 426
Oklahoma projects 430
Park fees 442
Piping plover 451
Plover, critical habitat for 451
Potlatch exchange 443
Recovery goal 449
Sabine and Lacassine Refuges 424
Sample analysis 429
Selkirk habitat 448
Southwest law enforcement 419
Wallop-Breaux transfer 439

OFFICE OF INSPECTOR GENERAL

Additional committee questions 771
Audit followup 769
Case selectivity 767
Cases, disposition time for 769
Introduction of associates 767
Park Service review 771
Resources, additional 768
Violations, serious 768

OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

Abandoned mine land program funding, minimum 798
Abandoned mine reclamation fund 782
Additional committee questions 799
Applicant violator system 786
Budget request 775
Internal Revenue Service ruling 788
Kentucky Regulatory Program 784
Ownership and control 787
Regulation and technology 780
Reprogramming proposals 798
Status of 780
Taxability of grants, proposed legislation on 798
Tribal reclamation programs 788
Wildcat mining 785

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

Additional committee questions 1081
Capital improvement projects 1078
Committee, thanks to the 1078
OTIA staffing 1080
Palau:
    Operations 1080
    Tourism 1079
Praising Mrs. McCoy 1067

OFFICE OF THE SECRETARY

Page
Additional committee questions 723
Aviation management 722
Budget Execution, Office of 721
Budget request 709
Chief operating officer 716
Environmental project review 720
Introduction of associates 715
Leadership change 715
Management improvements 718
Secretary's immediate office 717, 719
Under Secretary's position 716

OFFICE OF THE SOLICITOR

Abandoned mine reclamation fund 746
Additional committee questions 760
Arm's-length provision 758
Congressional reductions, impact of possible for fiscal year 1988 744
Employment levels within the Solicitor's Office 745
Funding, fiscal year 1987 743
Introduction of associates 742
Introductory comments 742
Price valuation 758
Surface mining, division of 746

TERRITORIAL GOVERNMENTS

AMERICAN SAMOA

Adverse external factors 844
Budget request, supplemental 880
Cost factors, other 880
Cyclone damage 844
Financial condition 843
Introduction of associates 843
Operations funding, restoration of fiscal year 1988 880
Revenue projections 879
Seawall construction 873
Tax reform 879
Wage issue, minimum 879

COMMONWEALTH OF THE NORTHERN MARIANAS

7-year capital development plan 961
7-year development plan 920
Commonwealth status 920
Introduction of associates 919
Three major issues 962

FEDERATED STATES OF MICRONESIA

Compact implementation issues 980
Education cutoff and land use settlement funding 994
Introduction of associates 979
Pohnpei hydroelectric program 995

GUAM

	Page
CIP request	914
Educational issues	916
Federal impact aid	915
Financial crisis	914
Introduction of associates	914
Ordot landfill	915, 916, 917

REPUBLIC OF PALAU

Bridge and road problems	977
Capital relocation	965
Cost saving measures	964
Financial crisis	963
Hospital	965
Roads and bridges	966

REPUBLIC OF THE MARSHALL ISLANDS

Additional committee questions	1065
Bikini historic site	1064
Budget requests	1063
Compact implementation	1062
Education grants	1062
Trust territory deficit	1063

VIRGIN ISLANDS

House budget resolution	840
Intergovernmental Personnel Act	829
Problems, correcting the	840
St. Croix runway	840

U.S. GEOLOGICAL SURVEY

Accounting system, departmentwide	659
Additional committee questions	679
Appropriation request, summary of	654
Budget request	647
Carson Sink Area	676
Contracting out	659
Earth resources observation systems:	
Data center	655, 663
Program reduction	664
Geothermal Program	673
Introduction of associates	654
Mineral resources, potential for	671
Minerals, strategic and critical	673
National Geologic Mapping Program	675
Nevada nuclear waste activity	661
Nuclear waste disposal, high level	661
Other proposed program reductions	666
Yucca Mountain and Nevada test site	666

NATIONAL CAPITAL PLANNING COMMISSION

Additional committee questions	640
Budget request, fiscal year 1988	633
Dulles Airport, expansion of	634
Foreign missions	639

Page
General Services Administration's opportunity purchase program 640
Introduction of associates 631
PortAmerica 635
Summary statement 633

NAVAJO AND HOPI INDIAN RELOCATION COMMISSION

Additional committee questions 279
Budget request 247
Client population totals 271, 273
Emergency assistance 275
Hopi partitioned lands 277
  Living conditions 274
Inspector general audit 278
Program completion 273

SMITHSONIAN INSTITUTION

Additional committee questions 1130
Biological diversity 1120
Budget priorities 1118
Budget request 1109
Collections management 1128
Duke Ellington collection 1129
Fire prevention 1124
Front Royal breeding facility 1126
Grade creep 1130
Hirshhorn, travel budget of the 1129
Human capital 1121
Introduction of associates 1110
Multiple mirror telescope conversion 1122
National Arctic Study Center 1128
Natural History Museum, molecular systematics laboratory at 1127
Request, review of 1117
Sackler collection 1120
Smithsonian Institution libraries, cataloging program at 1126
Submillimeter instrumentation 1123
Summer hours 1130
Tupper Laboratory and Conference Center 1124
Zoo, genetics program at the 1125

U.S. HOLOCAUST MEMORIAL COUNCIL

Additional committee questions 1231
Budget request 1219
Construction 1229
Executive Director, Presidential approval of 1227
Finance Office 1229
Introduction of associates 1227
National Archives project 1230
Pay increase and Federal Employees' Retirement System 1228

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

	Page
Additional committee questions	1211
Budget request	1203
Endowment challenge fund	1210
Introduction of associates	1209
Space requirements	1210
West Europe and international security studies programs	1209

○